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28th Annual Report

2013-2014

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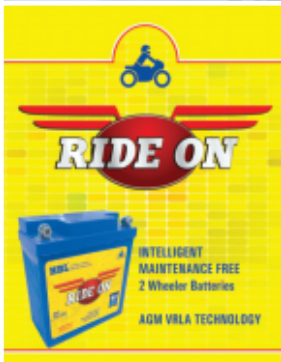
Railway



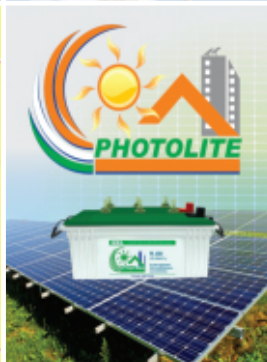
Industry



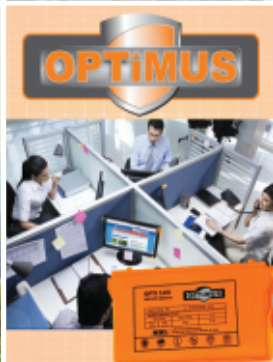
Utilities



2 Wheeler



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HBL POWER SYSTEMS LIMITED

CIN : L40109TG1986PLC006745

Regd. Off : 8-20-601, Road No. 10 Banjara Hills, Hyderabad - 500 034.

Financial Year 2013 - 14

Board of Directors

| | |
|---|--------------------------------|
| Dr. A J Prasad | - Chairman & Managing Director |
| Mr. M S S Srinath | - Whole Time Director |
| Mrs.Kavita Prasad | - Whole Time Director |
| Mr. P Ganapathi Rao | |
| Mrs.Preeti Khandelwal | |
| Mr. V V S Ravindra – IDBI Nominee (upto 14 November 2014) | |
| Mr. J. Vidya Shankar – IDBI Nominee (from 14 November 2014) | |
| Mr. Sanjiv Singhal | |
| Mr. Ajay Bhaskar Limaye | |

Audit Committee

Mr. P Ganapathi Rao, Chairman of the Committee
Mrs.Kavita Prasad
Mr. V V S Ravindra – IDBI Nominee (upto 14 November 2014)
Mr. J. Vidya Shanker – IDBI Nominee (from 14 November 2014)
Mrs.Preeti Khandelwal

Company Secretary

Mr. MVSS Kumar

Auditors

| | |
|---|---|
| M/s Satyanarayana & Co., Chartered Accountants Amar Mansion, Ranigunj Secunderabad-500 003 | M/s. Rao & Kumar Chartered Accountants 10-19-15, Soudamani, Siripuram Visakhapatnam-530003 |
|---|---|

Cost Auditors

M/s. Narasimha Murthy & Co.
Cost Accountants, Hyderabad 500 029

Bankers

State Bank of India
State Bank of Hyderabad
IDBI Bank Ltd.
Axis Bank Ltd
ICICI Bank Ltd

Registrar and Share Transfer Agents

M/S Karvy Computershare Private Limited
17-24, Vittal Rao Nagar, Madhapur
Hyderabad-500 081
Phone nos. : 040-23420815-20
Fax: 040-23420859

NOTICE

NOTICE is hereby given that the twenty eighth Annual General Meeting of the members of HBL POWER SYSTEMS LIMITED will be held at KLN Prasad Auditorium, Federation of Andhra Pradesh Chamber of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 on Saturday, 27th December 2014 at 4.00 p.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2014 and Statement of Profit and Loss for the year ended as on that date along with the Directors' Report and the Auditors' Report thereon.
2. To declare Dividend for the year ended 31st March 2014.
3. To appoint a Director in place of Mrs. Kavita Prasad, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the year 2014-15 till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

"RESOLVED THAT pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules made thereunder and pursuant to recommendations of the Audit Committee of the Board of Directors, M/s. Satyanarayana & Co, Chartered Accountants, Secunderabad (ICAI Firm Registration No. 03680S) and M/s. Rao & Kumar Chartered Accountants, Visakhapatnam (ICAI Firm Registration No. 03089S) be and are hereby re-appointed as Joint Auditors of the Company for the year 2014-15 to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting and that the Board of Directors be and is hereby authorized to fix such remuneration and reimbursement of out of pocket expenses (if any) as per Company policy as may be determined by the Audit Committee in consultation with the Auditors."

SPECIAL BUSINESS:

5. **To appoint Mr. J. Vidya Shankar as a Nominee Director and if thought fit to pass with or without modification, the following resolution as an ordinary resolution**

"RESOLVED THAT pursuant to Article 85 of Articles of Association of the Company, Section 161(3) and other applicable provisions if any of the Companies Act 2013 and rules made thereunder, Mr. J. Vidya Shankar who was nominated as Director by IDBI Bank Limited in place of Mr. VVS Ravindra and co-opted by the Board with effect from 14 November 2014 be and is hereby appointed as a Non-Executive Nominee Director, whose period of office shall not be liable to determination by retirement of directors by rotation as per IDBI Bank Ltd letter dated 21 October 2014".

6. **To authorise Board of Directors to enter into related party transaction and if thought fit, to pass with or without modification, the following resolution as a special resolution:**

"RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions if any, of the Companies Act, 2013 ("the Act") and Listing Agreement and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the members of the Company be accorded to ratify and approve all existing and future contracts / agreements / arrangements with following related parties and authorize the Board of Directors of the Company to enter into contracts and/or agreements, arrangements with related parties with respect to sale, purchase, of supply of any goods including capital goods, or materials, selling or otherwise disposing off, or buying, leasing of property of any kind, availing or rendering of any services, appointment for purchase or sale of goods, materials, services or property or any other transaction of whatever nature with related parties given below and also given in the Explanatory Statement annexed hereto:

| Description of transaction with Related Party | Name of Related Party | Total Annual Value of transactions with each of the related party not to exceed (Rs. Crores) |
|---|---|--|
| Sale, purchase, supply of any goods including capital goods, or materials, selling or otherwise disposing off, or buying, leasing of property of any kind, availing of or rendering of any services, appointment for purchase or sale of goods, materials, services or property or any other transaction sale / purchase of goods and supply and availment of services. | Beaver Engineering & Holdings Private Limited, (Holding Company). | Rs. 15 Crore |
| | SCIL Infracon Pvt Ltd | Rs. 30 Crore |
| | HBL Germany GmbH, Germany | Rs.100 Crore |
| | HBL America Inc. USA | Rs.100 Crore |
| | Gulf Batteries Company Limited, KSA | Rs.100 Crore |
| | HBL Suntech. LLP | Rs. 15 Crore |

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and to sign and execute all deeds, applications, documents, writings, that may be required, on behalf of the Company and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental thereto for the purpose of giving effect to this resolution.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to approve transactions and the terms & conditions with any related party defined under the Act, and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient, or incidental thereto as the Board may its absolute discretion deem fit, without being required to seek any further consent or approvals of the Members otherwise to the end and intent that they shall be deemed has given their approval thereto expressly by the authority of this resolution for the purpose of giving effect to this resolution.”

7. To authorize creation of charges on the movable and immovable properties of the Company, both present and future, in respect of borrowings and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED that pursuant to Section 180 (1) (a) and other applicable provisions, if any, of the Companies Act,2013, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the substantial assets of the Company in certain events in favour of banks/financial institutions to secure loans provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said loans, shall not, at any time exceed Rs.750 crore (Rupees Seventyfive Crores).”

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized to finalize, settle and execute such documents /deeds / writings / papers / agreements as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgage / charge as aforesaid.”

8. To appoint Mr. P. Ganapathi Rao as an Independent Director of the Company and if thought fit to pass with or without modification the following resolution as an Ordinary resolution

“RESOLVED that pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, read with Schedule IV to the Act, as amended from time to time, Mr. P. Ganapathi Rao (DIN 00089685), a non-executive Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company with effect from 14th November, 2014 up to 13th November, 2019.”

9. To appoint Mrs. Preeti Khandelwal as an Independent Director of the Company and if thought fit to pass with or without modification the following resolution as an Ordinary resolution :

“RESOLVED that pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, read with Schedule IV to the Act, as amended from time to time, Mrs. Preeti Khandelwal (DIN 00027999), a non-executive Director of the Company, who has submitted a declaration that she meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company with effect from 14th November, 2014 up to 13th November, 2019.”

For and on behalf of the Board

Place : Hyderabad 500 034
Date : 14th November, 2014

MVSS Kumar
Company Secretary

CIN: L40109TG1986PLC006745

Regd. Office:

8-2-601, Road No.10

Banjara Hills, Hyderabad-500034

Phone: 040-27791641, Fax: 040-27795419

E-Mail: contact@hbl.in; investor@hbl.in

Notes:

1. The relative Explanatory Statement pursuant to section 102 of the Companies Act, 2013 (Act) in respect of the business under Item Nos. 5 to 9 of the Notice, is annexed hereto. The relevant details as required under clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment/ re-appointment as Directors under Item No. 3 and Item Nos. 5,8 & 9 of the Notice, are also annexed.
2. **A Member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company.** The instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered Office, duly completed and signed, not less than **FORTY-EIGHT HOURS** before the meeting. Proxies submitted on behalf of limited companies, societies, trusts etc., must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

Members/Proxies should bring the attendance slip duly filled in for attending the meeting.

3. The Register of Members and Share transfer books of the Company shall remain closed from 20th December, 2014 to 27th December, 2014 (both days inclusive).
4. If the Dividend as recommended by the Board of Directors is approved at the AGM, payment of such dividend will be made as under:
 - a) To all Beneficial Owners in respect of shares held in dematerialized form as per the data made available by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the close of business hours on 19th December, 2014;
 - b) To all Members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on 27th December, 2014
5. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, Karvy Computershares Private Limited to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Karvy Computershares Private Limited.
6. The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
7. Members seeking any information with regard to the accounts are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the meeting.
8. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with Karvy Computershares Private Limited /Depositories.
9. As per Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and clause 35B of the Listing Agreement, the Company is pleased to provide its members the facility to cast their vote by electronic means on all resolutions set forth in the Notice. Necessary arrangements have been made by the Company with Central Depository Services (India) Limited (CDSL) to facilitate e-voting. The instructions for e-voting are given in Annexure A.
10. Members who have not so far presented dividend warrant(s) for the Financial Year 2007-08 are requested to seek to issue a duplicate warrant(s) by writing to the Company's Registrars and Transfer Agents, M/s. Karvy Computershares Private Limited immediately. Members are requested to note that dividends unclaimed within 7 years from the date of transfer to the Company's Un-paid Dividend Account, will as per Section 124 of the Companies Act, 2013 (Section 205A of the erstwhile Companies Act, 1956) be transferred to the Investor Education and Protection Fund.

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

ITEM NO. 5

The Members are informed that the IDBI Bank Limited nominated Mr. J Vidya Shankar on the Board of the Company in place of Mr. VVS Ravindra vide their letter No.CBG-SSCB.53/259/Nom.8 dated 21st October, 2014. Mr. J Vidya Shankar is a General Manager ICG in IDBI Bank Ltd, Bangalore and has vast banking experience.

In accordance with the provisions of the Companies Act, 2013 and rules made thereunder his name has been proposed for appointment as Directors of the Company at this Annual General Meeting. Hence, your Directors recommend acceptance of the aforesaid resolution in the best interest of the Company.

Mr. J Vidya Shankar is deemed concerned or interested in the said resolution.

ITEM NO. 6

Pursuant to Section 188 of the Companies Act, 2013, the Company can enter into transactions mentioned in aforesaid resolution, which are not in the ordinary course of business and / or are not arm's length basis, only with prior approval of the Shareholders accorded by way of special resolution.

Though, your Company always seeks to enter into transactions with related parties in the ordinary course of business and at arm's length basis, as per amended Listing Agreement Clause 49 pursuant to SEBI Circular Number CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014, all related party transactions notwithstanding exempted under Section 188(1) of the Companies Act, 2013, have to be approved by the members.

Nature of related interest of related parties given below:

| Name of the Related party | Name of the Director or Key Managerial Personnel who is related if any | Nature of relationship | Particulars of contract or arrangement with related party |
|--|---|---|--|
| Beaver Engineering & Holdings Pvt. Ltd(Holding Company of HBL) | Dr. A J Prasad Mr. MSS Srinath Mrs. Kavita Prasad | Holdings Company of HBL and Promoters & Directors are common. | Sale of Rentar and concrete products |
| SCIL Infra Con Pvt Ltd | None of the Directors are Directors in the Company. | WOS of the Company. | Sale of spun concrete products |
| HBL Germany GmbH, Germany | Mrs. Kavita Prasad is a Director | Wholly owned subsidiary | Supply of batteries power electronic products. |
| HBL America Inc. USA | Mrs. Kavita Prasad is a Director | Wholly owned subsidiary | Supply of batteries power electronic products. |
| Gulf Batteries Company Ltd., KSA | – | JV Company | Supply of batteries power electronic products. |
| HBL Suntech LLP | Mrs. Kavita Prasad is a Designated Partner in LLP on behalf of HBL. | HBL holds 60% partner in LLP. | Supply, service of batteries |



The Board recommends the Special Resolution set out at Item No. 6 of the Notice for approval by the members. None of Director or Key Managerial Personnel or their relatives other than mentioned above, is concerned or interested in the said resolution.

ITEM NO. 7

Earlier, the members of the Company by way of an ordinary resolution accorded their consent to the Board of Directors to mortgage and / or create charge on all or anyone of the moveable / immovable properties or such other assets of the company to secure the borrowings by the Company from Banks and Financial Institutions. Further, the members have also accorded their consent by an ordinary resolution passed through postal ballot in the year 2011 to borrow not exceeding Rs.750 Crores. Consequent to notification of Section 180 of the Companies Act, 2013 consent of the Company is required by way of a special resolution to create mortgage and/or charge on the movable/ immovable properties of the Company upto the borrowing limits approved by the members.

The Board of Directors recommends the resolution at Item no. 7 for your approval as special resolution. None of the Directors or Key Managerial Personnel of the Company or their relatives are in any way concerned or interested in this resolution.

ITEM NO. 8 & 9

The Company had, pursuant to the provisions of clause 49 of the Listing Agreements entered with the Stock Exchanges, appointed Mr. P Ganapathi Rao and Mrs. Preeti Khandelwal as Independent Directors at various times in compliance with the requirements of the clause.

Pursuant to the provisions of section 149 of the Act, which came in to effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

Mr. P Ganapathi Rao and Mrs. Preeti Khandelwal non-executive directors of the Company, have given a declaration to the Board that they meet the criteria of independence. In the opinion of the Board, each of these directors fulfil the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval. The terms and conditions of appointment of the above Directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

For and on behalf of the Board

Place : Hyderabad
Date : 14th November, 2014

MVSS Kumar
Company Secretary

**BRIEF PARTICULARS OF DIRECTORS PROPOSED FOR
RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**

(In pursuant to clause 49 of the Listing Agreement)

| | |
|--|---|
| Name of the Director | Mrs. Kavita Prasad |
| Date of Birth | 11.12.1971 |
| Date of first appointment | 10.05.2000 |
| Qualification | B Com, PGDCA |
| Expertise in specific functional Area | Overall in-charge of the Financial activities and specific focus on Exports Marketing and overseas subsidiaries of the company. |
| Details of other Directorships | Beaver Engineering & Holdings Private Limited Kairos Engineering Limited Naval Systems and Technologies Private Limited Plumac Batteries Private Limited, HBL Germany GmbH, Germany HBL America Inc. USA |
| Details of Committee and membership status | Member of Audit Committee, CSR Committee and Share Transfer Committee |

| | |
|--|--|
| Name of the Director | Mrs. Preeti Khandelwal |
| Date of Birth | 24.03.1971 |
| Date of first appointment | 02.03.2009 |
| Qualification | B Com, ACS |
| Expertise in specific functional Area | She is a qualified Company Secretary and has expertise in Company Law and FEMA related issues. |
| Details of other Directorships | NIL |
| Details of Committee and membership status | Member of CSR Committee, Audit Committee, Remuneration Committee and Share Transfer Committee |

| | |
|--|--|
| Name of the Director | Mr. P Ganapathi Rao |
| Date of Birth | 01.09.1955 |
| Date of first appointment | 25.04.2005 |
| Qualification | FCA |
| Expertise in specific functional Area | Practicing Chartered Accountant and has expertise in Finance, Audit Systems and as well as Capital Market. |
| Details of other Directorships | NIL |
| Details of Committee and membership status | Chairman of Audit Committee. |

| | |
|--|--|
| Name of the Director | Mr. J Vidya Shankar |
| Date of Birth | December 26, 1962 |
| Date of first appointment | 14-11-2014 |
| Qualification | M.Tech (Mechanical Engineering) |
| Expertise in specific functional Area | Finance and Engineering |
| Details of other Directorships | NIL |
| Details of Committee and membership status | Member of Various Internal Committees of IDBI Bank Ltd., |

ANNEXURE A – INSTRUCTIONS FOR E-VOTING

In terms of Clause 35 B of the Listing Agreement, the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means. The Members, whose names appear in the Register of Members / list of Beneficial Owners as on Friday, November 21, 2014, i.e. the cut-off date taken by the Company for dispatch of the Annual Report and the Notice calling the Annual General Meeting. **The e-voting period will commence from Saturday, December 20, 2014 at 10.00 am and will end at 5.00 pm on Tuesday, December 23, 2014. The e-voting module will be disabled on December 23, 2014 at 5.00 pm.** The voting right of shareholders shall be in proportion to their share in the paid up equity share capital of the Company as on the cut-off date, being **November 21, 2014**.

The Company has entered into an arrangement with Karvy Computershare Private Limited (Karvy) for facilitating e-voting for AGM. The instructions for e-voting are as under:

1. Open your web browser during the voting period and navigate to '<https://evoting.karvy.com>'
2. Enter the login credentials (i.e. user-id & password) mentioned on the Attendance Slip/ Email forwarded through the electronic notice.

| | |
|-----------------|--|
| User –ID | For Shareholder(S)/ Beneficial Owner(S) Holding Shares In Demat Form:- a) For NSDL:- 8 Characters DP ID Followed By 8 Digits Client ID b) For CDSL:- 16 Digits Beneficiary ID For Members holding shares in Physical Form:- ● Folio Number registered with the company |
| Password | Your Unique password is printed on the AGM Attendance Slip / sent via email forwarded through the electronic notice. |
| Captcha | Enter the Verification code for Security reasons i.e., please enter the alphabets and numbers in the exact way as they are displayed. |

3. After entering these details appropriately, click on "LOGIN".
4. Members holding shares in Demat/Physical form will now reach password change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (like *, #, @ etc.). Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through Karvy Computershare Private Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Kindly ensure that you note down your password for future reference.
5. You need to login again with the new credentials.
6. On successful login, system will prompt to select the 'Event' i.e., 'HBL POWER SYSTEMS LIMITED'.
7. If you are holding shares in Demat form and had logged on to <https://evoting.karvy.com> and casted your vote earlier for any other company, then your existing login id and password are to be used.
8. On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting. Enter the number of shares under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If you do not want to cast a vote, you may select 'ABSTAIN'.
9. After selecting the resolution if you have decided to cast vote on the same, click on "SUBMIT" and a confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
10. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
11. Corporate/Institutional Members (corporate /FIs/FILs/Trust/Mutual Funds/Banks, etc) are required to send scanned copy (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to nareshkumarchanda@gmail.com with a copy to evoting@karvy.com. The file scanned image/pdf file of the Board Resolution should be in the naming format "Corporate Name".

Contact for issues relating to e-voting: M/s.Karvy Computershare Private Limited, Plot No.17-24, Vittal Rao Nagar, Madhapur, and Hyderabad 500 081. **Toll Free Number: 1-800-3454-001.**

DIRECTORS' REPORT

Dear Members

Your Board of Directors take pleasure in presenting the 28th Annual Report for the financial year ended on 31st March 2014. The financial performance is presented below (stand-alone basis).

(₹ In Lacs)

| S No. | Particulars | 2013-14 | 2012-13 |
|-------|--|-----------------|-----------------|
| 1 | Net Sales | 1,28,079.35 | 1,19,741.69 |
| 2 | Other Income | 1,001.53 | 913.19 |
| 3 | Total Income | 1,29,080.88 | 1,20,654.88 |
| 4 | Total Expenditure | 1,18,099.59 | 1,04,773.27 |
| 5 | Profit before interest, depreciation and tax (PBIDT) | 10,981.29 | 15,881.61 |
| 6 | Finance Cost | 7,573.87 | 9,339.84 |
| 7 | Depreciation & Amortization expenses | 3,850.95 | 4,008.50 |
| 8 | Profit/(loss) before Exceptional and Extra-ordinary items and Tax | (443.53) | 1,754.70 |
| 9 | Exceptional Items - Income | 5,653.98 | 778.56 |
| 10 | Profit before tax (PBT) | 5,210.45 | 2,533.26 |
| 11 | Provision for tax & tax adjustment | 709.40 | 488.84 |
| 12 | Net Profit after Tax (PAT) | 4,501.05 | 2,044.42 |
| 13 | Transfer to General Reserve | 500.00 | 500.00 |
| 14 | Earnings Per Share (Diluted EPS of Rupees) | 1.78 | 0.81 |
| 15 | Proposed Dividend (on face value of share Re 1 each) | 20% | 15% |

Performance Review 2013-14:

The total operating income for the year was ₹1,29,80.88 lacs representing a growth of approximately 7% as compared to previous year income of ₹1,20,654.88 lacs. However due to various predominant reasons attributed to the industry concerned particularly cost of raw material, the expenditure was also increased by 12.7%. This has resulted in deceased PBIDT for the year which stood at ₹ 10,981.29 lacs compared to ₹ 15,881.61 lacs in the previous year. After suitable provision for depreciation and amortization of expenses, PBT for the year was ₹ 5,210.45 lacs compared to ₹ 2,533.26 lacs in the previous year and after making a provision of ₹ 709.40 lacs for tax and tax adjustments for the year; the net profit (PAT) for the year was ₹ 4,501.05 lacs as compared to ₹ 2,044.42 lacs in the previous year.

Current year's performance:

Due to macro economic factors overall markets have not shown significant growth. Telecom market demand (which constitutes Company's prime business segment) continued to be stagnant. Delays in Railway and Defence business also have an affect on Company's operations. The combined factors have put pressure on Company's performance during 2014-15. Your Directors have taken necessary corrective steps and barring unforeseen circumstances, performance of the Company in the coming years is expected to be encouraging.

Dividends:

Your Directors are pleased to recommend a dividend of ₹ 0.20/- per equity share of ₹ 1/-fully paid up share @20% (Previous Year 15%) for the Financial Year 2013-14, subject to the approval of the members at the ensuing Annual General Meeting. The proposed dividend including Corporate Dividend Tax will absorb ₹ 591.99 lacs.

Investment/divestments in Subsidiary/ Joint Venture/Associate Companies and LLP:

Divestments:

During the year your Company divested its entire stake in Agile Electric Sub-assembly Private Limited and Sankhya Infotech Limited. This fetched an extraordinary income by way of profit from sale of investments, amounting to ₹ 5,644.64 lacs.



SCIL Infracon Private Limited (SIPL):

Members are aware that from October 2012 performance was affected by an unjustified stoppage by workmen of the company. This continued throughout the year 2013-14. After exhausting all means of fair discussion and negotiations, the matter was referred to Labour Department, Government of Andhra Pradesh. A final settlement was reached on 28 March 2014 in the presence of Additional Commissioner of Labour, Hyderabad and Joint Commissioner of Labour, RR Zone. The issue was closed after full and final settlement was since made by the Company.

As a result, financial results for the year showed a down trend. Considering various alternative options, a proposal was in principle approved for merger of SIPL with its holding company HBL to harness business synergy and operational growth, subject to usual procedures and approval of the Hon'ble High Court of Judicature at Hyderabad for AP and Telangana. A legal suite and an arbitration petition filed by former promoter of Shakti Concrete Industries Limited (SCIL) is pending before the Hon'ble Court.

HBL Germany GmbH

Due to unethical behavior of some local employees, there were some disruptions and losses in this Subsidiary. Necessary corrective steps have been taken by the Company. This has led to the delay in finalizing the Consolidated Financial Statements of the Company.

HBL Suntech LLP

Due to unviable business outlook, the designated partners of HBL Suntech LLP proposed to discontinue further operations of HBL Suntech LLP from April 2014 onwards. Matters related to existing business are being looked at in order to conclude various pending issues.

Events after Balance Sheet date

During October 2014, a very severe cyclonic storm Hudhud caused extensive damage to the city of Visakhapatnam and the neighbouring districts of Vizianagaram and Srikakulam in Andhra Pradesh with wind speeds of over 200 kmph. This resulted in damages to Company's factories in VSEZ and at Vizianagaram. Production operations at Vizianagaram were since partially restored after a gap of three weeks, while production at VSEZ is expected to be recommenced shortly after restoration of assets into their working condition. The incident was reported to the insurers. The value of damage caused and impact due to stoppage of production is in the process of ascertainment by the Company, which would be apprised by the insurance surveyors and loss adjusters appointed by the insurance company. The Company has in place suitable all risk insurance policies to cover the risks.

Directors' Responsibility Statement:

In Compliance with the Provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record -

1. That in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
2. That the Accounting Policies adopted are consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the Financial Year and the Statement of Profit and Loss of the Company for the Financial Year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing / detecting fraud and other irregularities; and
4. That the Annual Accounts have been prepared on a Going Concern basis.

Corporate Governance:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Report on Corporate Governance" is attached to the Annual Report.

Consolidation of Accounts

In accordance with the requirements of Accounting Standards AS 21 read with AS 27 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the company and its Subsidiaries/ JVs are annexed in this Annual Report.

In view of general exemption granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956 vide its General Circular No.2/2011 dated 8th February 2011, companies are exempted from the provisions of section 212 of the Companies Act 1956 subject to fulfillment of conditions therein. Accordingly, the Board has passed required resolution in respect thereof for not attaching the Balance sheets of the following subsidiary companies:

1. SCIL Infracon Private Limited
2. HBL Suntech LLP
3. HBL America Inc.
4. HBL Germany GmbH, Germany
5. Gulf Batteries Company Ltd (JV company in KSA)

Hence, in this annual report, the audited financial statements (standalone and consolidated) prepared in compliance with the applicable Accounting Standards, Listing Agreements prescribed by SEBI, have been attached and no individual Balance sheet or other information of subsidiaries is attached or disclosed except to the extent of the information as required to be disclosed under the condition (iv) of the Circular No.2/2011 dated 8th February 2011.

The Company undertakes that the Annual Accounts of the subsidiary Companies and the related detailed information will be made available to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the subsidiary companies will also be kept open for inspection during business hours at the registered office of the Company.

Auditors' Report:

The Board has considered the observations/ queries as raised by the Statutory Auditors and the explanations are as under.

Our comments on the financial statements for the year are as under (Stand-alone Financial Statements):

Reference is drawn to Note No.30. Some of the year end balances appearing under the heads referred to therein are subject to confirmation / reconciliation and consequential adjustment, the impact of which is not quantifiable by us.

Our reply: The Company has a practice of sending confirmatory letters every year to all parties. The company has circulated confirmatory letters to various parties during the year. Some of them have not responded in time. Such letter says that the balance is deemed accepted or confirmed if no reply was received in stipulated time.

Our comments on the financial statements for the year are as under (Consolidated Financial Statements):

As per paragraph 26 of AS 21 on Consolidated Financial Statements, the excess and further losses attributable to Minority are to be adjusted against the Majority Interest except to the extent that the Minority has binding obligation and is able to make good the losses. Pending any Contribution from the Minority Partner, we are unable to comment on the treatment accorded (refer note 4.1) in the financial statements.

Our reply: The Company and an individual are designated partners in a Limited Liability Partnership (LLP) Firm. The Minority partner in LLP agreed to contribute 40% towards Capital as per LLP Agreement which is yet to be contributed. Proportionate share of loss in LLP was allocated to the Partner as per LLP Agreement signed by both parties. This is considered as due and recoverable and accordingly shown as minority interest.

Reference is invited to Note No. 37.3, regarding non-provision of depreciation to the tune of ₹138.22 lakhs in variance to the prescription laid down by the Accounting Standard AS-6 on Depreciation Accounting resulting in overstatement of Profit before tax for the year with a corresponding overstatement of Reserves and Fixed Assets as at 31-3-2014.

Our reply: The Company's wholly owned subsidiary SCIL Infracon Private Limited (SIPL) operations were affected from October 2012 due to unjustified stoppage of work by workmen. This continued throughout the year 2013-14. A final settlement was reached on 28 March 2014 in the presence of Additional Commissioner of Labour, Hyderabad and Joint Commissioner of Labour, Government of Andhra Pradesh. Depreciation was provided on the basis of actual usage of plant during this period in the individual Company's financial statements. However in line with Accounting Standard AS-6 on Depreciation Accounting, for the year 2012-13 and 2013-14, ₹ 46.85 lacs and ₹ 91.37 lacs were respectively required to be provided for. Had this been provided for, the individual Company's losses would have been higher to that extent when actually the factory was not in operation during that period.

**Directors:**

Mrs. Kavita Prasad, Director retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. Mr. J Vidya Shankar was nominated by IDBI Bank Limited in place of Mr. VVS Ravindra who was co-opted with effect from 14th November, 2014. The Board conveys appreciation for the advice and guidance of VVS Ravindra during his tenure.

Pursuant to the provisions of the Companies Act, 2013 and rules made thereunder, Mr. J Vidya Shankar holds office upto the date of ensuing Annual General Meeting of the Company. The Board recommends his name for appointment as a Director at ensuing Annual General Meeting of the Company in accordance with the provisions of the Companies Act, 2013.

As per section 149(4) of the Companies Act, 2013 (Act), which came into effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as Independent Directors. In accordance with the provisions of section 149 of the Act, Mr. P Ganapathi Rao and Mrs. Preeti Khandelwal, Directors are proposed to be appointed as Independent Directors to hold office as per their tenure of appointment mentioned in the Notice of the forthcoming Annual General Meeting (AGM) of the Company.

Auditors:**Statutory Auditors:**

Joint Statutory Auditors M/s Satyanarayana & Co., Chartered Accountants, Secunderabad and M/s. Rao & Kumar Chartered Accountants, Visakhapatnam, hold office till the conclusion of the forthcoming AGM and are eligible for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules made thereunder, it is proposed to appoint M/s Satyanarayana & Co., Chartered Accountants, Secunderabad and M/s. Rao & Kumar Chartered Accountants, Visakhapatnam as Joint Statutory Auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the thirty-first AGM to be held in the year 2017, subject to ratification of their appointment at every AGM.

Cost Auditors:

Your company proposes to re-appoint the cost auditors M/s K. Narashima Murthy & Co., Hyderabad, subject to the approval from Central Government.

Personnel & Industrial Relations:

Your Company continues to enjoy cordial relations with the employees.

No employee of the Company was in receipt of remuneration during the financial year 2013-14 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended from time to time.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo:

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure hereto.

Acknowledgements:

Your Directors take this opportunity to thank all the Company's Bankers and Financial Institutions, the concerned Central and State Government Departments, Agencies for their support and co-operation to the Company. The Board has special appreciation for the employees for their dedicated services.

The Board of Directors also thanks all its Shareholders for the confidence reposed in the Management.

For and on behalf of the Board

Place : Hyderabad
Date : 14th November 2014.

Dr. A J Prasad
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 2013-14**Conservation of Energy, Technology Absorption,
Foreign Exchange Earnings and Outgo.**

- A. Conservation of Energy: Energy saving devices such as re-cycling of heat and use of alternate sources of energy like solar energy/fuel oil are being implemented wherever possible.
- B. Technology Absorption: We have in-house R&D facilities. We may avail the Consultancy Services from overseas experts for strengthening our technology, as and when needed. We are in the process of absorbing the technology so developed and improved further.
- C. Foreign Exchange Earnings and Outgo:

(₹ lacs)

| | Particulars | 2013-14 | 2012-13 |
|---|--|-------------------|--------------------|
| 1 | Value of Imports on C.I.F. Raw Materials, Components & Spares Capital items/ Equipment | 37750.41 65.94 | 31988.43 523.76 |
| 2 | Expenditure in Foreign Currency | | |
| | Commission | 44.26 | 202.64 |
| | Traveling expenses | 72.17 | 92.37 |
| | Royalty | 54.51 | 56.73 |
| | Professional charges | 61.29 | 76.66 |
| | Marketing expenses | 270.84 | 43.88 |
| | Others | 302.69 | 32.12 |
| 3 | Investment in subsidiary | - | 28.11 |
| 4 | Foreign Exchange Earnings | | |
| | Export sales | 25129.48 | 25963.24 |
| | Services | 449.99 | 944.71 |

For and on behalf of the Board

Place : Hyderabad
Date : 14th November 2014.

Dr. A J Prasad
Chairman and Managing Director

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2013-14

Company's Philosophy:

The Company's follows the Principles of Corporate Governance:

1. VISION: HBL's vision is to organize India's engineering talent into a globally competitive business, whether in manufacturing or services. We want to become a learning organization to export technology from India. Our choice is for businesses with technological barriers and /or engineering intensity.

2. VALUES:

- ✦ Fairness to all
- ✦ Innovative spirit
- ✦ Craftsmanship
- ✦ Entrepreneurial opportunism
- ✦ Development of individuals
- ✦ Harmonious coexistence

3. THE HBL WAY:

- ✦ To initially try to achieve the very best we can do, and then improve further.
- ✦ Self-learning, like Ekalavya.
- ✦ Compensation based on value added rather than seniority or qualifications.
- ✦ Unconventional when convention comes in the way of business sense.
- ✦ Pride in being Indian.

I. Board of Directors:

(A) Composition and Category :

In pursuance of Clause 49 of the Listing Agreement the Board consists of 8 Directors of which 5 are Non-Executive Independent Directors and 3 are Executive Directors, which includes the Chairman and Managing Director. There were four meeting held during financial year 2013-2014

| Name & Designation | Category | No of Meetings Attended during 2013-14 | No of other Directorships | Attendance at last AGM |
|---|------------------------------------|--|---------------------------|------------------------|
| Dr. A J Prasad Chairman & Managing Director | Promoter & Executive Director | 4 | 1 | Yes |
| Mr. MSS Srinath Whole Time Director | Executive Director | 4 | 4 | No |
| Mrs. Kavita Prasad Whole Time Director | Executive Director | 4 | 5 | No |
| Mr. P Ganapati Rao Director | Non-Executive Independent Director | 3 | Nil | Yes |
| Mrs. Preeti Khandelawal Director | Non-Executive Independent Director | 3 | Nil | No |
| Mr. V V S Ravindra Nominee Director of IDBI Bank Limited | Non-Executive Independent Director | 3 | Nil | Yes |
| Mr. Sanjiv Singhal | Non-Executive Independent Director | 2 | 5 | No |
| Mr. Ajay Bhaskar Limaye | Non-Executive Independent Director | 4 | 1 | No |

The Company shall continue to comply with the code of Corporate Governance in respect of Composition of the Board.

(B) Meetings of the Board of Directors:

The Board has met four times during the Financial Year. Besides the usual and necessary items placed before the Board, the minimum information as required under Annexure IA of Clause 49 of the listing agreement was also placed before the Board. The dates of the Board meeting are as under :

| | | | | | | | |
|---|------------|----|------------|-----|------------|----|------------|
| i | 27.05.2013 | ii | 14.08.2013 | iii | 13.11.2013 | iv | 14.02.2014 |
|---|------------|----|------------|-----|------------|----|------------|

(C) CODE OF CONDUCT

The Board has laid down a Code of Conduct for all the Board members and Senior management of the Company and the same is posted on the website of the Company. All the Board members and Senior management personnel affirmed compliance with code of conduct on an annual basis and a declaration to this effect signed by the Chairman and Managing Director is appended to this report.

II. Audit Committee**(A) Qualified and Independent Committee:**

The Company has set up a qualified and independent Audit Committee in terms of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Audit Committee consists of four members out of which three are Independent Directors including the Chairman. The Chairman of the Committee and other members are professionals in their respective field of activity with vast experience, having in-depth financial and accounting knowledge. The Chairman of the Audit Committee was present at the previous Annual General Meeting. Vice President – Finance, Mr. K. Mahidhar was an invitee to the meetings. The Company Secretary of the Company is the Ex-Officio Secretary of the Audit Committee.

The table lists the members of the Audit Committee, changes therein and attendance particulars:

| Name of the Director | Status | Membership Status | No. of meetings attended during 2013-14 |
|------------------------|------------------------------------|--|---|
| Mr. P Ganapati Rao | Member & Chairman of the Committee | Independent Director | 3 |
| Mrs. Kavita Prasad | Member | Executive Director | 4 |
| Mr. V V S Ravindra | Member | Independent Director Nominated by IDBI | 3 |
| Mrs. Preeti Khandelwal | Member | Independent Director | 3 |

(B) MEETINGS OF THE AUDIT COMMITTEE

The Committee met four times (4 meetings) during year on 27th May, 2013, 14th August, 2013, 13th November, 2013 and 14th February, 2014.

(C) POWERS AND ROLE OF THE AUDIT COMMITTEE

The terms of reference of the Audit Committee are broadly as under:

- ✦ Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information are disclosed.
- ✦ Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- ✦ Discussion with external auditors before the audit commences of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- ✦ Reviewing the financial statements including quarterly/half yearly financial information.
- ✦ Reviewing management replies and annual financial statements before submission to the Board, focusing primarily on:
 - * Changes in accounting policies and practices;
 - * Major accounting entries based on exercise of judgment by management;
 - * The method of Capitalization of the Capital WIP/Assets
 - * Significant adjustments arising out of audit;
 - * Compliance with accounting standards;
 - * Compliance with stock exchanges and legal requirement concerning financial statements;
 - * Related party transactions as per Accounting Standard 18

- ✦ Reviewing the company's financial and risk management policies.
- ✦ Disclosure of contingent liabilities.
- ✦ Reviewing with the management, external and internal auditors, and the adequacy of internal control system.
- ✦ Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit report, approval of audit plan and its execution, staffing and seniority of the official heading the department, report structure, coverage and frequency of internal audit.
- ✦ Discussion with internal auditors of any significant findings and follow-up-thereon.
- ✦ Reviewing the utilization of issue proceeds as per the objects as envisaged, raised through private placement.

(D) SUBSIDIARY COMPANIES

The Company is not falling under any of the criteria prescribed under clause 49 of the listing agreement hence no disclosure is required to be made.

Share Transfer/ Investors Grievances Committee

The Investors' Grievance Committee comprises Mrs. Kavita Prasad as the Chairperson, Mr P Ganapathi Rao and Mrs. Preeti Khandelwal as members of the Committee. The Investors' Grievance Committee of the Board is empowered to oversee the redressal of investors' complaints pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with and without legal representation) of shares and other miscellaneous complaints. During the year under review, Four Investors' Grievance Committee meetings were held on 30.04.2013, 12.08.2013, 18.11.2013 and 13.01.2014.

The composition of the Investors' Grievance Committee and attendance at its meeting is as follows. Mr. MVSS Kumar, Company Secretary is the Compliance Officer.

| Composition | Mrs. Kavita Prasad | Mr. P. Ganapati Rao | Mrs. Preeti Khandelwal |
|-------------------|--------------------|---------------------|------------------------|
| Meetings Attended | 4 | 4 | 3 |

Details of Investor Complaints/ Queries during the year 2013-14

| Sl. No. | Nature of Complaints /Query | Opening Balance | During the year | | Closing Balance |
|---------|--|-----------------|-----------------|-----------|-----------------|
| | | | Received | Received | |
| 1 | Non-receipt of Dividend Warrants | Nil | 12 | 12 | Nil |
| 2 | Non-receipt of Securities | Nil | 19 | 19 | Nil |
| 3 | Non-receipt of Share Certificates after Transfer | Nil | Nil | Nil | Nil |
| 4 | Non-receipt of Refund Orders | Nil | Nil | Nil | Nil |
| | TOTAL | Nil | 31 | 31 | Nil |

Remuneration Committee:

The Remuneration Committee of the Company is empowered to review the remuneration of the Chairman and Managing Director and the Executive Director, retirement benefits to be paid to them, recommending on the amount and distribution of commission based on criteria fixed by the Board and approved by the members, if any.

The Remuneration Committee was reconstituted with three Non-Executive Independent Directors (including the Chairman of the Committee Mr. VVS Ravindra). There is no revision in remuneration during the year. The composition of the Remuneration Committee and attendance at its meeting is as follows:

| Name of the member | Status | Number of meetings held | Number of Meeting attended |
|------------------------|----------|-------------------------|----------------------------|
| Mr. V V S Ravindra | Chairman | 1 | 1 |
| Mr. P Ganapati Rao | Member | 1 | 1 |
| Mrs. Preeti Khandelwal | Member | 1 | 1 |

Directors' Remuneration for the year 2013-14

| Name of the Director | Designation | Remuneration Paid for the year (Rs.) |
|----------------------|--------------------------------|--------------------------------------|
| Dr. A J Prasad | Chairman and Managing Director | 41,28,000 |
| Mr. MSS Srinath | Whole-Time-Director | 18,36,000 |
| Mrs Kavita Prasad | Whole-Time-Director | 18,36,000 |
| Total | | 78,00,000 |

Mrs. Kavita Prasad, Director has been paid Rs.5.80 lakhs as rental charges for the premises owned by her, which was under lease to the Company.

Non-Executive and Independent Directors were paid sitting fees for the Board meetings in 2013-14.

| Name of Directors | Meetings Held | Meetings Attended | Sitting Fees Paid. In Rupees |
|-------------------------|---------------|-------------------|------------------------------|
| Mr. P.Ganapathi Rao | 4 | 3 | 12,000 |
| Mrs. Preeti Khandelwal | 4 | 3 | 12,000 |
| Mr. V V S Ravindra | 4 | 3 | 12,000 |
| Mr. Sanjiv Singhal | 4 | 2 | 8,000 |
| Mr. Ajay Bhaskar Limaye | 4 | 4 | 16,000 |
| | Total | | 60,000 |

Venue and Time of the last three Annual General Meetings

| Date | Venue | Time | No. of Special Resolution |
|--------------------|--|---------|---------------------------|
| September 28, 2013 | Federation of AP Chambers of Commerce & Industry, Red Hills, Hyderabad-500 004 | 4.00 pm | NIL |
| December 24, 2012 | | | 1 |
| September 05, 2011 | | | 1 |

The resolutions were passed on show of hands with requisite majority.

III. Other Disclosures**Postal Ballot**

No resolution has been passed by postal ballot during the reporting period.

Risk Management

The Board has been very meticulous in making aware all the members about the potential hazards that the company can be exposed to. It is this meticulous functioning and close monitoring that the company has a distinct advantage of reducing the hazards be it a Business or Financial risk or Legal and Statutory risk or a Management risk. In fact the very Philosophy of the Corporate Governance vouches the effort in imparting the right education and management practices at functional level.

Prevention of Insider Trading - Code of Conduct

The Company has framed a Code for Prevention of Insider Trading based on SEBI [Insider Trading] Regulations, 1992. This code is applicable to all Directors, Designated Senior Management personnel of the Company. The code ensures the prevention of dealing in shares by persons having access to unpublished price sensitive information.

Disclosures:**Related Party Transactions:**

There are no materially significant related party transactions having potential conflict with the interests of the Company. However all the related party transactions required to be disclosed as per AS 18 are given in the annual accounts for the year under review.

Shareholding of Non-Executive Directors

No non-Executive Director has any shares in the Company.



Compliances by the Company:

The company has complied with the requirements of the Stock Exchange, SEBI and other statutory authorities on all matters related to capital market. There were no non-compliance issues raised either by SEBI or Stock Exchanges for the transactions of the Company during last three years.

Whistle Blower Policy:

The Company has a general Whistle Blower Policy.

Non-Mandatory Requirement:

The company has not adopted the non-mandatory requirements as specified in annexure 1D of clause 49 of the Listing Agreement.

Means of Communications

The Company displays its financial results on websites at www.hbl.in for the information of shareholders and public. The financial results of the Company are usually published in Business Line in English version and Andhra Prabha or other vernacular papers in Telugu.

In accordance with Clause 51 of the Listing Agreement the Company has displayed the Shareholding pattern, Quarterly/ Annual Financial results, Annual report and other compliances as required under the corporate governance guidelines on the Electronic Data Information Filing and Retrieval (EDIFAR) System website at: www.sebidifar.nic.in maintained by National Informatics Centre (NIC) up to 31.03.2014.

General Shareholder Information

| | |
|---|---|
| 1. Forthcoming Annual General Meeting Date, Time & Venue | : 27 th December, 2014 at 4.00 p.m.KLN Prasad Auditorium, Federation of AP Chambers of Commerce and Industry, Red Hills, Hyderabad – 500 004 |
| 2. Financial Calendar Year Financial Reporting: First quarter ending 30/6/13 Half-year ending 30/9/13 Third quarter ending 31/12/13 Audited Annual Results | : Financial year 2013-14 : 14 th August, 2013 : 13 th November, 2013 : 14 th February, 2014 : Standalone : 26 th May, 2014 Consolidated : 14 November 2014 |
| 3. Dates of Book-Closure | : 20.12.2014 to 27.12.2014 (Both days inclusive) |
| 4. Dividend | : Dividend on equity share Capital @ 20% |
| 5. Registered Office | : 8-2-601, Road. No.10, Banjara Hills, Hyderabad- 500034 |
| 6. Secretarial Office | : Sy.no.26, Kubera Towers, Trimulgherry, Secunderabad - 500 015 Contact person: Company Secretary Phone: 040-27791641, Fax: 040-27795419 E-Mail: contact@hbl.in ; investor@hbl.in |
| 7. Registrars for Electronic Transfer and Physical Transfer of Shares | : M/S Karvy Computershare Private Limited17-24, Vittal Rao Nagar, Madhapu, Hyderabad-500081 Contact Person: Mr. S Krishnan, Senior Manager Phone nos. 040-23420815-20 Fax: 040-23420859 E-mail : mailmanager@karvy.com |
| 8. Plant Locations | : 1. Aliabad(V), Shameerpet(M), RR Dist., AP 2. Nandigoan(V), Kothur(M), Mahabubnagar Dist., AP 3. Seripally (V), Bhoothpur,(M) Mahabubnagar Dist., AP 4. Kandivalasa(V), Posapatirega(M), Vizainagaram Dist., AP 5. VSEZ, Visakhapatnam, AP 6. Thumkunta(V), Shameerpet(M), RR Dist, AP 7. Haridwar, Uttarakhand 8. IMT, Manesar, Haryana |
| 9. Listing on Stock Exchanges | : BSE Limited (BSE) National Stock Exchange of India Limited (NSE) |
| 10. Stock Code-BSE : BSE/ NSE Trading name Demat ISIN number: | : : 517271/ HBLPOWER : INE 292BO1021 |

11. Distribution of Shareholding as on 31st March 2014 is as follows:

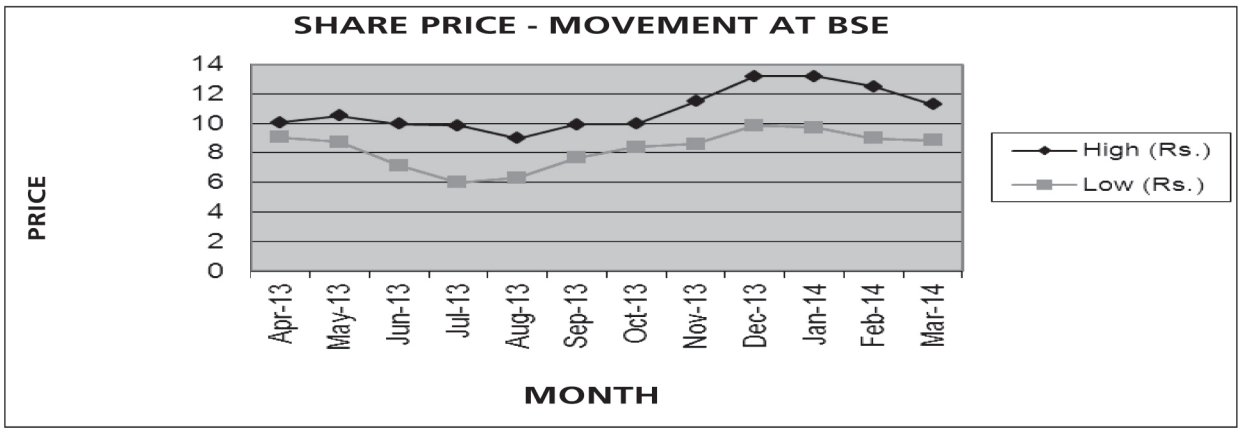
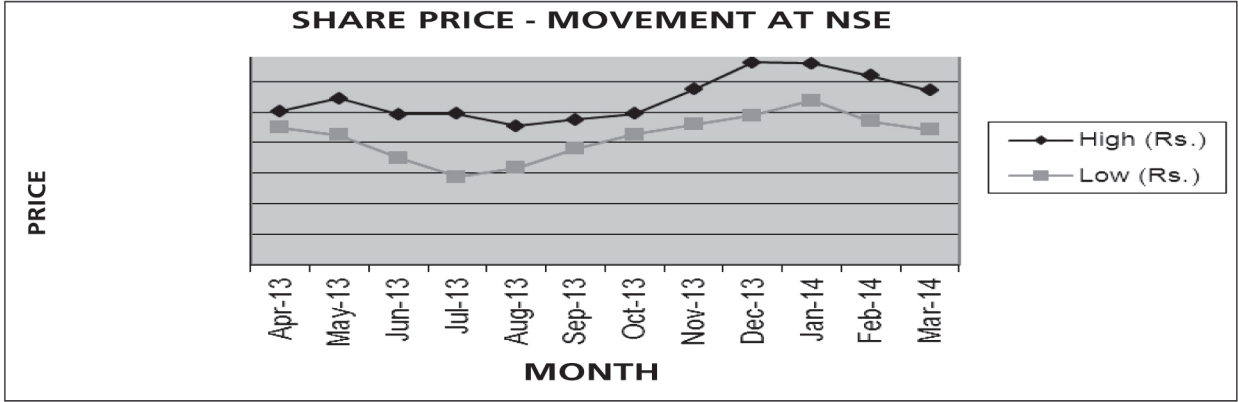
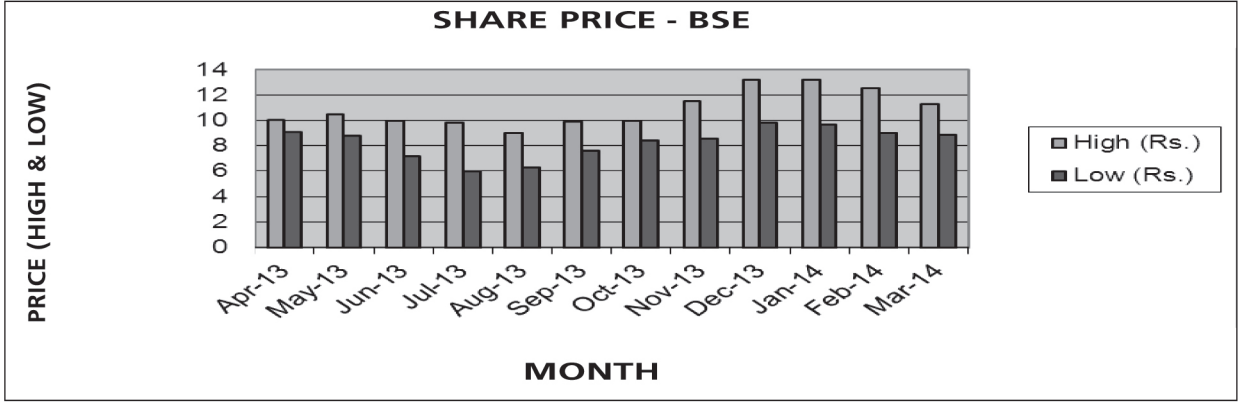
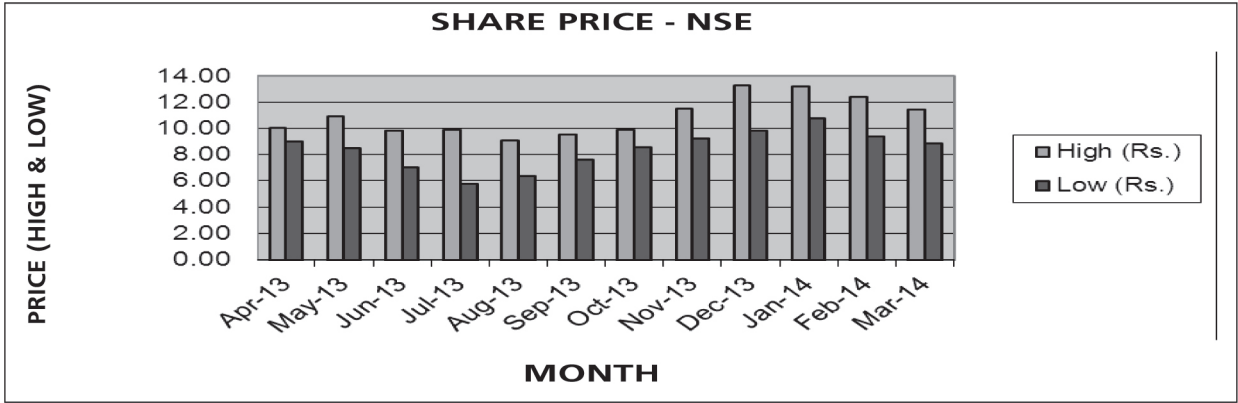
| S.no | Category | No of Shareholders | % of Shareholders | Amount Rs | % Amount |
|------|----------------|--------------------|-------------------|---------------------|---------------|
| 1 | Upto 1 - 5000 | 19,985 | 96.19 | 1,46,86,268 | 5.80 |
| 2 | 5001 - 10000 | 409 | 1.97 | 31,69,161 | 1.25 |
| 3 | 10001 - 20000 | 195 | 0.94 | 28,69,715 | 1.13 |
| 4 | 20001 - 30000 | 53 | 0.26 | 13,34,953 | 0.53 |
| 5 | 30001 - 40000 | 27 | 0.13 | 9,55,956 | 0.38 |
| 6 | 40001 - 50000 | 21 | 0.10 | 9,69,245 | 0.38 |
| 7 | 50001 - 100000 | 36 | 0.17 | 25,66,766 | 1.01 |
| 8 | 100001 & above | 49 | 0.24 | 22,64,47,936 | 89.51 |
| | Total: | 20,748 | 100.00 | 25,30,00,000 | 100.00 |

Distribution of Shareholding as on 31st March 2014:

| Shareholder Category | No. of Shares held | % of Shares held |
|--|--------------------|------------------|
| a. Indian Promoters and relatives | 1,87,031,072 | 73.93 |
| b. Foreign Promoters | Nil | Nil |
| c. Foreign Collaborator | Nil | Nil |
| d. Others (Public, Bodies Corporate, etc.) | 6,59,68,928 | 26.07 |
| Total | 25,30,00,000 | 100.00 |

12. Stock Market Price Data during 2013-14

| Month | Bombay Stock Exchange | | | National Stock Exchange | | |
|--------|-----------------------|------|----------------------|-------------------------|-------|----------------------|
| | Price (Rs.) | | No. of Shares traded | Price (Rs.) | | No. of Shares traded |
| | High | Low | | High | Low | |
| Apr-13 | 10.05 | 9.05 | 152750 | 10.05 | 9.00 | 428214 |
| May-13 | 10.50 | 8.76 | 204969 | 10.90 | 8.50 | 492509 |
| Jun-13 | 9.95 | 7.15 | 247468 | 9.85 | 7.00 | 1056931 |
| Jul-13 | 9.85 | 6.00 | 807939 | 9.90 | 5.75 | 2230557 |
| Aug-13 | 9.00 | 6.30 | 246552 | 9.10 | 6.35 | 1005201 |
| Sep-13 | 9.92 | 7.65 | 184962 | 9.50 | 7.60 | 979310 |
| Oct-13 | 9.95 | 8.40 | 164886 | 9.90 | 8.55 | 524369 |
| Nov-13 | 11.50 | 8.60 | 384877 | 11.50 | 9.20 | 1142153 |
| Dec-13 | 13.20 | 9.85 | 775013 | 13.25 | 9.80 | 2532680 |
| Jan-14 | 13.20 | 9.70 | 403835 | 13.20 | 10.75 | 810477 |
| Feb-14 | 12.50 | 9.00 | 1351483 | 12.40 | 9.40 | 1814010 |
| Mar-14 | 11.29 | 8.86 | 835854 | 11.40 | 8.85 | 2374272 |



Unclaimed Dividend:

During the year, the Company has transferred the balance of unclaimed dividend amount of Rs.2,71,661/- for Financial Year 2005-2006 to the Central Government's Investor Education and Protection Fund (IEPF) account on 20th November, 2013. We insist the members to claim, as early as possible, the dividend amount remain in the Company's unpaid dividend accounts for the respective years mentioned hereunder. Please note that upon expiry of the statutory period of Seven years as indicated in the last column of the table below, the amount shall be liable for transfer to IEPF, Government of India, thus the entitlement for any such claims would have to be forfeited thereafter.

| AGMin which | Date of Declaration of Dividend | Rate of Dividend | Total Dividend in Rs. | Book Closure/ Record Date | Unclaimed Dividend as on 31.03.2014 in Rs. | Due for transfer to IEPF |
|------------------|---------------------------------|------------------|-----------------------|---------------------------|--|--------------------------|
| 21 st | 26.09.2007 | 15% | 3,64,19,662 | 20.09.2007 to 26.09.2007 | 2,16,514 | 09.11.2014 |
| 22 nd | 04.09.2008 | 15% | 3,64,19,833 | 01.09.2008 to 04.09.2008 | 3,02,949 | 14.10.2015 |
| 23 rd | 17.09.2009 | 30% | 7,28,38,665 | 10.09.2009 to 17.09.2009 | 5,51,429 | 04.10.2016 |
| 24 th | 27.09.2010 | 30% | 7,59,00,000 | 22.09.2010 to 27.09.2010 | 5,43,233 | 25.10.2017 |
| 25 th | 05.09.2011 | 10% | 2,53,00,000 | 31.08.2011 to 05.09.2011 | 2,63,893 | 04.10.2018 |
| 26 th | 24.12.2012 | 15% | 3,79,50,000 | 18.12.2012 to 24.12.2012 | 4,72,337 | 23.11.2019 |
| 27 th | 28.09.2013 | 15% | 3,79,50,000 | 23.09.2013 to 28.09.2013 | 4,15,461 | 26.10.2020 |

Share Transfer System

Share Transfers in physical form can be lodged with Karvy Computershare Private Limited at the above mentioned addresses. The transfers are normally processed within 10-12 days from the date of receipt if the documents are complete in all respects.

Dematerialization of shares and liquidity as on 31.03.2014:

| Form of existence | Agency | No of Share Holders | No of shares | % of Total Issued Capital |
|-------------------|--|---------------------|--------------|---------------------------|
| Dematerialized | Central Depositories Securities Limited | 6,467 | 3,22,50,429 | 12.75 |
| -do- | National Securities Depositories Limited | 11,035 | 20,63,61,647 | 81.57 |
| Physical | - | 3,246 | 1,43,87,924 | 5.68 |
| | Total | 20,748 | 25,30,00,000 | 100.00 |

In case of enquiries relating to shareholders accounting records, share transfers, transmissions of shares, change of addresses for physical shares, or non receipt of dividend warrants, loss of share certificates etc. should be addressed to the Company's offices mentioned above or its Registrars.

There are no outstanding GDRs, ADRs, Warrants or Convertible Instruments etc. as on 31st March, 2014

CEO and Finance Head Certification

The certificate from CEO and Vice President-Finance of the Company regarding Compliance under clause 49 of the Listing agreement is annexed.

Compliance Certificate:

The Certificate on Compliance with Corporate Governance by the Company from Statutory Auditor as required under Clause 49 of the Listing Agreement is annexed.

For and on behalf of the Board

Place : Hyderabad
Date : 14th November 2014

Dr A J Prasad
Chairman & Managing Director

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Reports can be sent by an e-mail to its members. This will also ensure prompt receipt of communication and avoid loss in postal transit. These documents will also be available on the Company's website i.e. www.hbl.in for download by the shareholders.

To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses by writing an e-mail to hblpower_cs@karvy.com with subject as **E-mail for Green Initiative' mentioning their Folio No./Client ID**. Members holding shares in electronic form may register / update their e-mail addresses with the Depository through their concerned Depository Participant(s).

DECLARATION

As provided under clause 49 of the Listing Agreement with Stock Exchanges, the Board Members and the Senior Management personnel have affirmed to the compliance with Code of Conduct for the year ended 31st March, 2014.

For and on behalf of the Board

Place : Hyderabad
Date : 14th November 2014

Dr A J Prasad
Chairman & Managing Director

CEO AND FINANCE HEAD CERTIFICATION

We, A J Prasad, Chairman and Managing Director and Mr. K. Mahidhar, Vice President - Finance, responsible for the financial functions certify that:

- a) We have reviewed the financial statements and cash flow statement and to the best of our knowledge and belief;
 - i) These statements do not contain any material untrue statements or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March 2014 are fraudulent, illegal or volatile of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal control for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the Statutory Auditors and Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant changes in internal control over financial reporting during the year under reference.
 - ii) There has not been any significant changes in accounting policies requiring disclosure in the note forming part of Financial statement; and
 - iii) We are not aware of any instance during the year of any significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Hyderabad
Date : 14 November 2014

K Mahidhar
Vice-President - Finance

Dr A J Prasad
Chairman and Managing Director

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To
The Members of
M/s HBL Power Systems Limited

We have examined the compliance of conditions of corporate governance by **HBL Power Systems Limited** for the year ended 31st March 2014 as stipulated under Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the record maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M/s. Satyanarayana & Co.
Chartered Accountants
Firm's Registration Number 03680S

For M/s. Rao & Kumar
Chartered Accountants
Firm's Registration Number 03089S

Place : Hyderabad
Date : 14th November 2014.

Ch. Seshagiri Rao
Partner
M.No. 18523

S.S.Bharadwaj
Partner
M.No. 26113

MANAGEMENT DISCUSSION AND ANALYSIS 2013 – 14

1. This year's annual report cover illustrates HBL's continuing intent to develop consumer markets. So far, the company has been focused primarily on institutional customers in Industry, Railways, Defence, in both domestic and export markets. New products for consumer markets will reduce dependence on industrial demand and add value to HBL stock.
 - ❖ To meet the emerging demand for maintenance free deep cycling batteries for home inverters, HBL developed a Tubular plate Gel Lead acid battery to be sold along with the electronic inverter suited for such a battery. We see this as a premium product for the upper end market.
 - ❖ A lower cost diesel engine starting battery has been developed to meet a wide range of applications.
 - ❖ A range of maintenance free motor cycle batteries has been developed to meet the growing demand for such a product.

All three products reflect HBL's capability to develop suitable products to meet either emerging (nascent) needs or growth in demand. The investment on product development and commercialization is an additional stress on margins when profits are low; because costs are incurred without corresponding revenue.

2. Performance Summary FY 14

Total income was ₹ 1291 crores in FY 14 Versus ₹ 1207 crores in FY 13. Profit after Tax was ₹ 45 crores in FY 14, Versus ₹ 20 crores in FY 13. However, the FY 14 profit was due to an exceptional item (sale of investment in a subsidiary, Agile Electric). On operations alone there was a loss of over ₹ 4 crores.

3. Industrial Batteries

Demand in FY 14 has been disappointing, in line with the experience of most manufacturing companies, both in domestic and export markets. The credit squeeze has also made it much more difficult to balance the risks of choosing between supplying on credit or keeping the capacity underutilized. The situation is improving, as of October 2014.

4. Finance Costs

Finance costs for HBL have been noticeably higher than industry average. This has been primarily due to higher inventories, and also due to investment on buildings and equipment not being fully utilised due to weak market demand.

It has been commonly observed that when sales forecasts become very uncertain, manufacturing companies find it very difficult to control inventories. This generic phenomenon became severe for HBL because of two additional factors:

- ❖ HBL has a very wide range of products, based on different technologies with completely different plants, raw materials and customers. We have during the last year exited some weak businesses.
- ❖ Inadequate management attention given to operational efficiency in the past. HBL's product development culture per se does not prevent focus on operational efficiency, but makes it harder to do, until a crisis occurs. This problem is now being addressed seriously.

5. Spun Prestressed Reinforced Concrete Products

This business is doing well. Suitability of HBL "factory made" Piling for housing heavy equipment (power and oil sector) on coastal soil has been established. Prestigious customers are now using HBL products.

This unit also offers LT electricity distribution poles. These have proven themselves as the only such poles which survived cyclones on the East Coast; and are thus being increasingly specified for such locations.

A second plant has been set up at Vizianagaram to increase capacity and reduce transport costs; and another plant is planned to meet the needs of the new capital of Andhra Pradesh.

6. Railway Signaling

Product Development has taken much longer than expected. Six years was estimated in 2005. Now it is clear that six has become ten. However it is now possible to say that by end of FY 15, HBL will be in the primary position in the Indian market.

One other difficulty has been that, although we planned on commercializing one product a year from 2012, unexpected delays have led to bunching: all products will now be commercialized concurrently in FY 2016.

7. Defence Business

After many years of underfunding expenditure on defence equipment, the Government has recently shown that this may change.

Further, the new Government seems much more committed to indigenous production.

Both these developments will enable HBL to benefit from work it has done for, over a decade, to develop indigenous capability in this domain.

8. Exports

HBL Germany – GmbH had disruptions (and some losses) due to unethical behavior of some local employees. This has led to the delay in finalizing the accounts of this company and hence HBL's consolidated accounts, leading to a delay in holding our AGM.

On the positive side, HBL has received approvals from Government authorities in Europe and the USA, which enable us to sell aircraft batteries made in India, to airlines flying Airbus 318 – 321 series and Boeing 737 NG series of aircraft.

9. Management's Introspection

Experts investigating railway accidents often find that three things must go wrong for a serious accident to happen. The system can cope with one or two such events but not three at the same time.

At HBL also this view seems to be valid. The disappointing financial performance (in its fifth year in October 2014) would not have occurred if three factors had not all gone wrong during the same period of time:

- ❖ Telecom demand slump (our biggest sector customer) during 2010 – 2014. (This is only now improving)
- ❖ Unexpectedly long delays on Defence and Railway projects (beginning to change)
- ❖ Low emphasis on operational efficiency (which is being corrected during FY 15).

10. CMD's Personal Message

For shareholders who have good reason to be frustrated, the CMD takes this opportunity to convey a few personal thoughts :

The late Professor Sumantra Ghoshal observed that good management should be able to overcome a bad situation, in at most a few years.

Mr. Andy Grove, when he was CEO of Intel, had said that *"Bad companies are destroyed by crisis. Good companies survive them. Great companies are improved by them."*

HBL management has become stronger from our crisis, and results will soon follow.



INDEPENDENT AUDITORS' REPORT

To the Members of HBL Power Systems Limited, Hyderabad

Report on the Financial Statements

We have audited the accompanying financial statements of **HBL Power Systems Limited** ("the Company"), which comprise the **Balance Sheet as at March 31, 2014**, and the **Statement of Profit and Loss and Cash Flow Statement for the year then ended**, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- 1) *Reference is drawn to Note No.30. Some of the year end balances appearing under the heads referred to therein are subject to confirmation / reconciliation and consequential adjustment, the impact of which is not quantifiable by us.*

Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matters

- 1) We draw attention to Note 8.1 to Financial Statements which states that interest on delayed payments to parties, registered as MSME under the MSMED Act, 2006, is not provided for, as in the absence of any claim from the said parties, they are reckoned as 'not due' by the company.
- 2) We draw attention to Note 15.2 to Financial Statements in respect of repudiation, by the Insurers, of a claim made by the company, in respect of which the company proposes to initiate legal action for recovery, the outcome of which is uncertain at this stage.

Our opinion is not qualified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards notified under the Companies Act, 1956 ("the act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, *except for the disclosure to be made in pursuance of Accounting Standard AS-27, for the reasons detailed in Note No. 31.9.*
 - e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For M/s. Satyanarayana & Co.
Chartered Accountants
Firm's Registration Number 036805

For M/s. Rao & Kumar
Chartered Accountants
Firm's Registration Number 030895

Place : Hyderabad
Date : 26th May 2014.

Ch. Seshagiri Rao
Partner
M.No. 18523

S.S.Bharadwaj
Partner
M.No. 26113

Annexure referred to in Paragraph 1 of 'Report on Other Legal and Regulatory Requirements' in our report of even date :

- (i) (a) The Company has maintained year wise details of fixed assets acquired showing the relevant particulars including original cost at the time of acquisition. Based on such record of year wise additions the Company has compiled and built up the Fixed Assets Register showing original costs incurred, identification details etc., location-wise.
- (b) The management has carried out physical verification of assets in accordance with a designed programme. During the course of such physical verification certain discrepancies / differences, unserviceable items, scrapped items and non traceable items were noticed and have been properly dealt with in the books of account.
- (c) During the year under review, the company had not disposed off any substantial part of its fixed assets affecting the Going Concern.
- (ii) (a) The Inventories within the factory premises/stores and at branches have been physically verified by the management during the year and also at the year end. For materials lying with ancillary parties confirmations have been obtained in some cases. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed, upon verification, between physical stocks and book records were not material and such differences have been properly dealt with in the books of account.
- (iii) (a) The company has, in the previous years, granted unsecured loans to one of its subsidiaries, the details of which, as on 31-3-2014, are as under:

| Sl No. | Name of the Subsidiary Company | Balance on 31.03.2014 (₹ in Lakhs) | Balance on 31.03.2013 (₹ in Lakhs) | Maximum amount outstanding at any time during the year(₹ in Lakhs) |
|--------|--------------------------------|---------------------------------------|---------------------------------------|--|
| (1) | SCIL Infracon (P) Ltd. (SIPL) | 628.77 | 728.80 | 728.80 |

- (b) According to the information and explanation given to us, the rate of interest and other terms and conditions on which the Company granted the above loans, are not prima facie prejudicial to the interest of the Company.
- (c) We are informed that, the period for repayment of the Loan to SIPL together with interest, is extended up to 31-3-2015. As on date an amount of ₹ 628.77 lakhs, representing Loan together with interest, is still due. However no interest has been charged on the above loan for the current year.
- (d) In view of the explanations given as above, we are of the opinion that there were no overdue Principal and interest amounts as on 31-03-14.
- (e) The Company has taken unsecured loans from its Holding Company and from three of its Director, the details of which are as under:

| Sl No. | Borrowed from | Balance on 31.03.2014 (₹ in Lakhs) | Balance on 31.03.2013 (₹ in Lakhs) | Maximum amount at any time during the year (₹ in Lakhs) |
|--------|--|---------------------------------------|---------------------------------------|--|
| (1) | a) Holding Company Interest free unsecured Loan | 13,800.00 | 12,000.00 | 13,800.00 |
| (2) | Holding Company – Interest bearing Unsecured Loan | 245.00 | Nil | 245.00 |
| (3) | From 3 Directors | 321.00 | 276.00 | 321.00 |

- (f) In respect of the above loans the rate of interest (wherever applicable) and other terms and conditions are not prima facie prejudicial to the interest of the Company.
- (g) The Company is regular in repayment of principal and interest thereon as per the terms and conditions.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for purchase of inventory and fixed assets and for the sale of goods and services. However, there is scope for further improving the internal control procedures in the areas relating to review of Vendors / Customers' Balances. During the course of our audit, no major weaknesses in internal control have been noticed.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at mutually agreed prices having regard to the explanation that (a) certain items purchased / sold are of special nature for which suitable alternatives do not exist to compare with prevailing market prices and (b) certain transactions are based on commercial considerations.
- (vi) The company has not accepted any deposits from public.
- (vii) The Company has engaged the services of external agencies to carry out the internal audit function of the transactions of the Company and the scope and coverage of which is found to be adequate and commensurate with the size of the Company and nature of its business. We also suggest that 'Systems Audit' of the Company's Accounting Package be carried out.
- (viii) We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, the company is regular in depositing the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and other material statutory duties applicable to it with appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable under the respective statutes in respect of Provident fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty and Excise Duty were in arrears, as at 31.03.14 for a period more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following demands have not been deposited on account of disputes.

| Name of the Statute | Nature of the dues and Period to which it relates | Amount ₹ lakhs | Forum where the Dispute is pending |
|---------------------|---|----------------|---|
| Excise Act | Duty, Interest and Penalty on Intermediate goods emerged out of job works and used in the manufacture of exempted finished goods for the period from 1994-95 to 1998-99 | 94.85 | Departmental Appeal before High Court, Mumbai |
| Excise Act | Penalty levied on Cenvat Credit disallowed for the year 2010-11 | 5.00 | Appeal Before CESTAT, Bengaluru. |

| Name of the Statute | Nature of the dues and Period to which it relates | Amount in ₹ lakhs | Forum where the Dispute is pending |
|---------------------|---|-------------------|---|
| Excise Act | Duty, Interest and Penalty for non-maintenance of separate CENVAT Account with respect to Input Services during April 2006 to March 2009. | 186.28 | Pending before Commissioner, Hyderabad. |
| Excise Act | Appeal against Departmental Order on Refund alleged to be wrongly granted in 2012-13. | 24.37 | Appeal Before CESTAT, Bengaluru |
| Excise Act | Duty on Job Work Charges Feb-Sept 2012. | 20.31 | Appeal Before CESTAT, Bengaluru |
| Excise Act | Duty on Job Work Charges Oct 12 – May 2013 | 27.03 | Commissioner Appeals, Hyderabad |
| Service Tax Act | Dispute with regard to Penalty levied on excess Input availed during April-December 2011. | 2.17 | Pending before Commissioner Appeals, Vizag. |
| Service Tax Act | Dispute with regard to Penalty levied on excess Input availed between April 2008 and December 2010. | 8.51 | Pending before Commissioner Appeals, Vizag. |
| Sales Tax Act | Dispute with regard to Rate of Tax for the year 2002-03. | 4.84 | Pending before Appellate Dy. Commissioner, Hyderabad. |
| Sales Tax Act | Dispute in Taxable Turnover relating to 3 rd party exports for the year 2005-06. | 35.49 | Case pending before APSTAT. |
| Sales Tax Act | Dispute with regard to Penalty for stock difference during the year 2010-11. | 12.04 | Appeal filed before Dy. Commissioner (Appeals), Ernakulam. |
| Sales Tax Act | Dispute regarding Input VAT availed and penalty on Capital Goods which were sold during February 2011. | 46.05 | Appeal filed before Appellate Deputy Commissioner(C), Chennai |
| Sales Tax Act | Dispute regarding Input availed on LPG – during 2009-10 | 64.47 | Appeal filed before Appellate Deputy Commissioner, Hyderabad |
| Sales Tax Act | Dispute regarding Input availed on LPG- during 2010-11 | 65.19 | Appeal filed before Appellate Deputy Commissioner, Hyderabad |
| Sales Tax Act | Dispute regarding Input availed on LPG- during 2011-12 | 80.18 | Appeal filed before Appellate Deputy Commissioner, Hyderabad |
| Sales Tax Act | Dispute regarding tax demanded on replacements during 2009-10 | 9.15 | Deputy Commissioner Appeals, Guwahati |
| Income Tax | For Asst. Year 2009-10, disallowance made and demand raised | 65.08 | Appeal before Commissioner of Income Tax (Appeals). Pending Dispute total tax was paid. |

- (x) The company has no accumulated losses and it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of term loan installment and interest dues to financial institutions and Banks.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) The company is not a chit fund or Nidhi / Mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures or other investments. Therefore, the provisions of Clause 4(xiv) of the Companies (Auditor's report) order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for the loans taken by others from banks or financial institutions.
- (xvi) Based on review of the records of the term loan drawn and utilization thereof on an overall basis, the loan funds have been applied for the purpose for which the loans were obtained. However, during the year the Company had not taken any fresh Term Loans.
- (xvii) Based on review of the records on an overall basis, funds raised on Short Term Basis have not been used for Long Term Investment.
- (xviii) During the year under review, the company has not made any preferential allotment of shares.
- (xix) The company has not issued any debentures.
- (xx) The Company has not raised any money by public issue, during the recent past.
- (xxi) Based upon the audit procedures performed for the purpose of reporting true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For M/s. Satyanarayana & Co.
Chartered Accountants
Firm's Registration Number 03680S

For M/s. Rao & Kumar
Chartered Accountants
Firm's Registration Number 03089S

Place : Hyderabad
Date : 26th May 2014.

Ch. Seshagiri Rao
Partner
M.No. 18523

S.S.Bharadwaj
Partner
M.No. 26113

Balance Sheet as at March 31, 2014

₹ in Lakhs

| Particulars | Note | As at March 31, 2014 | | As at March 31, 2013 | |
|-------------------------------------|---------|-------------------------|-------------|-------------------------|-------------|
| I) EQUITY AND LIABILITIES | | | | | |
| A Share Holders' Funds | | | | | |
| Share Capital | 2 | 2,530.00 | | 2,530.00 | |
| Reserves and Surplus | 3 | 55,985.67 | 58,515.67 | 52,076.60 | 54,606.60 |
| B Non Current Liabilities | | | | | |
| Long Term Borrowings | 4 | 22,407.26 | | 33,530.57 | |
| Deferred Tax Liabilities | 5 | 2,456.70 | | 2,251.42 | |
| Long-term Provisions | 6 | 203.00 | 25,066.96 | 158.72 | 35,940.71 |
| C Current Liabilities | | | | | |
| Short Term Borrowings | 7 | 43,241.82 | | 35,886.64 | |
| Trade Payables | 8 | 29,307.55 | | 19,221.44 | |
| Other Current Liabilities | 9 | 18,785.03 | | 21,000.73 | |
| Short Term Provisions | 6 | 1,897.82 | 93,232.22 | 1,378.59 | 77,487.40 |
| Total | | | 1,76,814.85 | | 1,68,034.71 |
| II) ASSETS | | | | | |
| A Non Current Assets | | | | | |
| Fixed Assets | | | | | |
| Tangible Assets | 10 | 45,812.92 | | 47,363.72 | |
| Intangible Assets | 11 | 1,600.10 | | 1,260.61 | |
| Capital Works in Progress | 12 | 2,116.31 | | 2,624.07 | |
| Intangible Assets under development | 13 | 3,497.13 | 53,026.46 | 4,160.54 | 55,408.93 |
| Non Current Investments | 14 | 2,943.54 | | 14,953.14 | |
| Long Term Loans and Advances | 15 | 1,047.19 | | 985.73 | |
| Other Non Current Assets | 18 | 1,407.63 | 5,398.37 | 1,229.14 | 17,168.00 |
| B Current Assets | | | | | |
| Inventories | 16 | 59,756.69 | | 43,302.69 | |
| Trade Receivables | 17 | 45,808.16 | | 43,138.07 | |
| Cash and Bank Balances | 18 | 4,648.95 | | 2,117.98 | |
| Short Term Loans and Advances | 15 | 8,176.22 | 1,18,390.02 | 6,899.04 | 95,457.78 |
| Total | | | 1,76,814.85 | | 1,68,034.71 |
| Significant Accounting Policies | 1 | | | | |
| Notes on Financial Statements | 2 to 35 | | | | |

As per our Report of even date annexed

for M/s Satyanarayana & Co. **for M/s Rao & Kumar**

Chartered Accountants

FRN No. 03680 S

Chartered Accountants

FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao

Partner

M.No: 18523

S S Bharadwaj

Partner

M.No: 26113

Dr A J Prasad

Chairman & Managing Director

M Kavita Prasad

Director

Place : Hyderabad

Date : 26th May 2014

Place : Hyderabad

Date : 26th May 2014

Place : Hyderabad

Date : 26th May 2014

M V S S Kumar

Company Secretary

Statement of Profit & Loss for the year ended March 31, 2014

₹ in Lakhs

| Particulars | Note | Year Ended March 31, 2014 | | Year Ended March 31, 2013 | |
|--|-------------|------------------------------|--------------------|------------------------------|-------------|
| A Revenue | | | | | |
| Revenue from Operations | 19 | | 1,37,316.28 | | 1,27,638.64 |
| Less : Excise Duty | | | 9,236.93 | | 7,896.95 |
| Revenue from Operations (Net) | | | 1,28,079.35 | | 1,19,741.69 |
| Other Income | 20 | | 1,001.53 | | 913.19 |
| Total Revenue (A) | | | 1,29,080.88 | | 1,20,654.88 |
| B Expenses | | | | | |
| Cost of Material Consumed | 21 | | 82,294.68 | | 73,036.73 |
| Purchase of Traded goods | | | 282.99 | | 1,025.16 |
| (Increase) / Decrease in Inventory | 22 | | (3,815.35) | | (7,185.40) |
| Employee Benefits Expense | 23 | | 12,839.78 | | 11,788.76 |
| Finance Cost | 24 | | 7,573.87 | | 9,339.84 |
| Depreciation and Amortisation Expense | 25 | | 3,850.95 | | 4,008.50 |
| Other Expenses | 26 | | 26,497.49 | | 26,886.57 |
| Total Expenses (B) | | | 1,29,524.41 | | 1,18,900.17 |
| C Profit/(loss) before Exceptional and Extra-ordinary items and Tax (A-B) | | | (443.53) | | 1,754.70 |
| D Exceptional Items - (Income)/Expense | 27 | | (5,653.98) | | (778.56) |
| E Profit/(loss) before tax (C-D) | | | 5,210.45 | | 2,533.26 |
| F Tax Expense | | | | | |
| - Current Tax (MAT) | | 1,103.28 | | 513.00 | |
| - Less : MAT Credit Entitlement | | (685.87) | 417.41 | (378.00) | 135.00 |
| - Deferred Tax Changes/(Credit) | | | 205.28 | | 300.00 |
| - Income Tax & Wealth Tax relating to Previous Years | | | 86.71 | | 53.84 |
| G Profit for the period (E-F) | | | 4,501.05 | | 2,044.42 |
| H Earnings per Equity Share | 31.7 | | | | |
| - Basic | | | 1.78 | | 0.81 |
| - Diluted | | | 1.78 | | 0.81 |
| Significant Accounting Policies | 1 | | | | |
| Notes on Financial Statements | 2 to 35 | | | | |

As per our Report of even date annexed

for M/s Satyanarayana & Co. **for M/s Rao & Kumar**
Chartered Accountants Chartered Accountants
FRN No. 03680 S FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao
Partner
M.No: 18523

S S Bharadwaj
Partner
M.No: 26113

Dr A J Prasad
Chairman & Managing Director

M Kavita Prasad
Director

Place : Hyderabad
Date : 26th May 2014

Place : Hyderabad
Date : 26th May 2014

Place : Hyderabad
Date : 26th May 2014

M V S S Kumar
Company Secretary

Cash Flow Statement for the year ended March 31, 2014 (As per Clause 32 of the Stock Exchange Listing Agreement)

₹ in Lakhs

| | 31-Mar-2014 | | 31-Mar-2013 | |
|--|-------------|-------------|-------------|------------|
| A CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net Profit before Tax and extraordinary items | | 5,210.45 | | 2,533.26 |
| Depreciation | 3,477.11 | | 3,557.88 | |
| Interest income | (462.46) | | (555.77) | |
| Interest expense | 2,661.97 | | 4,829.42 | |
| Profit on sale of fixed assets | (90.50) | | (628.63) | |
| Profit on sale of Investments | (6,218.10) | | (140.00) | |
| Loss on sale of Investments | 573.45 | | - | |
| Loss on Fire Accident | 76.45 | | - | |
| Amortisation of Intangible Assets | 373.84 | | 415.62 | |
| Assets written off | 4.71 | | 127.12 | |
| Deposits Written off | 43.57 | | 13.34 | |
| Provisions | 54.31 | 494.36 | 52.75 | 7,671.73 |
| Operating Profit before working capital changes | | 5,704.81 | | 10,204.99 |
| (Increase)/Decrease in Sundry debtors | (2,670.09) | | (1,350.80) | |
| (Increase)/Decrease in Inventories | (16,454.00) | | (14,527.28) | |
| (Increase)/Decrease in Loans & advances * | (3,696.76) | | 7,683.69 | |
| Increase/(Decrease) in Current Liabilities | 12,862.05 | (9,958.80) | 4,609.30 | (3,585.09) |
| Cash generated from Operations | | (4,253.99) | | 6619.90 |
| Income taxes paid | (332.43) | (332.43) | (747.57) | (747.57) |
| Net Cashflow from Operating activities | | (4,586.42) | | 5,872.33 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | (1,944.28) | | (2,223.94) | |
| Sale of fixed assets | 444.03 | | 784.43 | |
| Purchase of Investments | - | | (207.05) | |
| Sale of Investments | 17,654.24 | | 518.46 | |
| Interest received | 462.46 | | 555.77 | |
| Net Cash flow from investing activities | | 16,616.46 | | (572.34) |
| C CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Increase(+)/Decease(-) in Interest free sales tax loan | (187.81) | | - | |
| Repayment of long-term borrowings | (17,341.66) | | (11,464.43) | |
| Proceeds from working capital borrowings | 4,969.64 | | (659.46) | |
| Increase(+)/Decrease(-) in unsecured loans | 4,158.34 | | 12,427.88 | |
| Payment of Dividend | (441.06) | | (441.06) | |
| Interest Paid | (2,661.97) | | (4,829.42) | |
| Net cash flow used in financing activities | | (11,504.53) | | (4,966.50) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | | 525.51 | | 333.50 |
| Cash and Cash equivalents beginning of the period | | 965.65 | | 632.15 |
| Cash and Cash equivalents end of the period | | 1,491.16 | | 965.65 |
| Cash and Cash equivalents | | | | |
| Cash on hand | | 18.81 | | 19.46 |
| Balances with Banks(in current accounts & term deposits) | | 1,472.35 | | 946.19 |
| Total | | 1,491.16 | | 965.65 |

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR 2013-14

- 1 This statement is prepared in accordance with Accounting Standard (AS-3) (indirect method)
- 2 * Including Bank Balances but other than Cash and Cash Equivalents
- 3 Previous year's figures were re-grouped wherever necessary.

As per our Report of even date annexed

for M/s Satyanarayana & Co. **for M/s Rao & Kumar**
Chartered Accountants
FRN No. 03680 S FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao
Partner
M.No: 18523

S S Bharadwaj
Partner
M.No: 26113

Dr A J Prasad
Chairman & Managing Director

M Kavita Prasad
Director

Place : Hyderabad
Date : 26th May 2014

Place : Hyderabad
Date : 26th May 2014

Place : Hyderabad
Date : 26th May 2014

M V S S Kumar
Company Secretary

Notes to Financial Statements for the year ended March 31, 2014**Note: 1 Significant Accounting Policies****A Basis for preparation of financial statements:**

The financial statements have been prepared under the Historical Cost convention and on a Going Concern basis to comply, in all material aspects, with Generally Accepted Accounting Principles in India, the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) prescribed by the Central Government and the relevant provisions of the Companies Act, 1956.

B Use of Estimates:

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosure relating to contingent liabilities as of the date of the financial statements. Examples of such estimates and assumptions include the useful lives of tangible and intangible fixed assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, warranties, etc. Differences between the actual results and estimates are recognised in the period in which the results are known.

C Tangible Assets and Depreciation:

1. Tangible Assets are stated at original cost, net of recoverable taxes and duties, less cumulative depreciation and impairment. Administrative and other general overheads including borrowing costs that are specifically attributable to acquisition of Assets or bringing Fixed Assets into their working condition are allocated / apportioned and capitalised as part of cost of the Asset. Premium paid for acquiring Leasehold Lands along with directly related expenditure is considered as tangible asset.
2. Depreciation on Tangible Assets including those on leasehold premises is provided under straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of Dies and Moulds used and 'Secured Land Filling' (used for disposal of Lead slag) which are depreciated at 20% and 10% respectively on Straight Line Method. Assets costing less than Rs.5,000/- are fully depreciated in the year of purchase. Cost of acquisition of Leasehold Land is amortised over the lease period.

D Intangible Assets and Amortisation:

1. Intangible Asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Expenditure incurred for creating infrastructure facilities where the ownership does not rest with the company and where the benefits from it accrue over a future period is also considered as Intangible Asset.
2. New product development expenditure, software licences, technical knowhow fee, infrastructure and logistic facilities, etc. are recognised as Intangible Assets upon completion of development and commencement of commercial production.
3. Expenditure capitalised under 'Intangible Assets' is amortised over a period of 60 months from the month of commencement of commercial production/utilisation of facility.
4. Amortisation on impaired intangible assets is adjusted in the future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

E Capital Work in Progress (CWIP) and Assets under Development

1. Tangible CWIP includes Plant and Equipment under erection, Civil works in progress and preoperative expenses pending allocation to the related assets.
2. Intangible Assets Under Development includes
 - a) New Product Expenditure where development is in progress
 - b) Payments made towards fees for software licences, technical knowhow, Infrastructure/logistic facilities etc., and also includes all related expenditure incurred upto absorption of technology and completion of Development.

Notes to Financial Statements for the year ended March 31, 2014

F Impairment of Assets:

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is recognised when an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there is a change in the estimate of recoverable amount.

G Foreign Currency Transactions:

Transactions relating to non-monetary items and Purchase and Sale of goods/services denominated in foreign currency are recorded at the exchange rate prevailing or that approximates actual rate on the date of transaction. Assets & Liabilities in the nature of monetary items denominated in foreign currencies are translated and restated at prevailing exchange rates at the Balance sheet date. Income or expense arising on account of exchange rate difference either on settlement or on translation is recognised in the Statement of Profit & Loss.

H Investments:

- a) Investments classified as "Long Term Investments(Non-Current)" are carried at cost and provision for diminution is made to recognise the decline, other than temporary, in the value of the Investments. Such reduction is determined and made for each investment individually.
- b) Investment classified as 'Current Investments' are carried at the lower of cost and fair value determined on individual investment basis.

I Income Recognition:

- a) Sales Revenue is recognised on dispatch to customers as per the terms of the order. Gross sales are net of returns/trade discounts and inclusive of Excise duty billed to customers. Inter Divisional Transfers are not recognised as turnover.
- b) Service Income is recognised on the basis of bills submitted as per the terms of the order.
- c) Short Term contracts involving Supply and Service where price breakup is available, Revenue in respect of Supplies are recognised when goods are delivered to customers unconditionally and Service income is recognised on completion of Service and bills submitted as per terms of the order.
- d) In case of contracts (Long Term) of complex equipment/systems/development order where the normal cycle time for completion is spreading over two or more accounting periods, revenue is recognised, subject to provision of anticipated losses, based on percentage completion as certified by technical committee/customers acceptance wherever applicable.
- e) Dividends are recognised as income when the right to receive the dividend is established.
- f) Income from interest bearing deposits with Banks and others is recognised on accrual basis.
- g) Interest on Income tax refunds is recognised on determination or on receipt basis whichever is earlier.
- h) Subsidies from Government are recognised when received.

J Inventories:

Inventories at the yearend are valued as under:

| | |
|---|--|
| Raw Materials, Components, Consumables and Stores & Spares. | At lower of weighted average cost and net realisable value. |
| Work In Progress and Finished goods. | At lower of net realisable value and weighted average cost of materials plus cost of conversion and other costs incurred in bringing them to the present location and condition. |
| Long Term contract work in progress (where the income is not eligible for recognition as per Income recognition policy stated above). | At direct and attributable costs incurred in relation to such contracts . |
| Stock In Trade | At lower of cost and net realisable value |
| Consumable Tools | At cost less amount charged off (which is at 1/3 rd of value each year). |

Notes to Financial Statements for the year ended March 31, 2014

- * Cost of Material is net of Cenvat/VAT availed on all items.
- * Excise Duty payable on Stock of Finished Goods and Customs Duty payable on Bonded Stock/ in transit(in case of imports) is provided for and included in the value of such stocks.
- * Stocks at Branches are inclusive of Duty paid at the time of dispatch from Factories.
- * Inventory arising out of inter divisional transfers is valued at cost to the transferring division after eliminating unrealised profit, if any.

K Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of obligation can be reliably estimated

Reimbursement expected in respect of expenditure is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is not provided for but is disclosed in the case of :

- a) present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed.

Provisions and contingent liabilities are reviewed at each Balance sheet date.

L Taxes on Income/Deferred Tax:

Current Tax on Income is determined and provided on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961. In the year in which 'Minimum Alternative Tax ' (MAT) on book profits is applicable and paid, eligible MAT credit equal to the excess of MAT paid over and above the normally computed tax, is recognised as an asset to be carried forward for set off against regular tax liability when it is probable that future economic benefit will flow to the Company within the MAT credit Entitlement period as specified under the provisions of Income Tax Act, 1961. The carrying amount of MAT Credit entitlement is reviewed and adjusted wherever required at each Balance Sheet date.

Deferred tax resulting from timing differences between accounting Income and taxable Income is recognised and accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The Deferred tax Asset is recognised and carried forward only to the extent that there is reasonable certainty that the Asset will be realised in future. The carrying amount of 'Deferred Tax Asset' is reviewed at each Balance Sheet date

M Assets taken under leases:

- a) In respect of Equipment taken under finance leases, the fair value of the leased asset is recognised as an asset and corresponding liability is created. The finance charges are allocated to the period over the lease term and are charged off.
- b) In respect of Equipment taken under operating lease, lease payments are recognised as expense on a straight line basis over the lease term.

N Employee Benefits:**a) Short term Benefits:**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The cost of the benefits like salaries, wages, medical, leave travel assistance, short term compensated absences, bonus, exgratia, etc. is recognised as an expense in the period in which the employee renders the related service.

Notes to Financial Statements for the year ended March 31, 2014

b) Post-employment benefits:

(i) Defined contribution plans:

The contribution paid/payable under Provident Fund Scheme, ESI Scheme and Employee Pension Scheme is recognised as expenditure in the period in which the employee renders the related service.

(ii) Defined benefit plans:

The Company's obligation towards Gratuity is a defined benefit plan. The present value of the estimated future cash flows of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit method. Actuarial gains and losses are recognised immediately in the Profit & Loss statement. The contribution made is recognised as expense.

c) Long Term employee benefits:

The obligation for long term employee benefits such as long term compensated absences, is determined and recognised in the similar manner stated in the defined benefit plan.

O Cash Flow statement:

Cash Flow statement is reported using indirect method as per Accounting Standard, AS-(3).

P Prior period and Extra-ordinary items/Exceptional items:

Items of Prior period Income and Expenditure are disclosed distinctly.

Items of Income/ Expense/Loss which are exceptional and non recurring in nature are considered as Exceptional/ Extraordinary items and are disclosed distinctly for determination of net profit/loss for the period.

Note : 2 Share Capital

(₹ in lakhs)

| | 31 March 2014 | 31 March 2013 |
|--|-----------------|---------------|
| Authorised | | |
| 30,00,00,000 Equity shares of Rs.1 each (Previous Year 30,00,00,000 Equity shares of Rs.1 each) | 3,000.00 | 3,000.00 |
| Issued , Subscribed and fully paid-up | | |
| 25,30,00,000 Equity shares of Rs. 1 each (Previous Year 25,30,00,000 Equity shares of Rs. 1 each) | 2,530.00 | 2,530.00 |
| | 2,530.00 | 2,530.00 |

2.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| | 31 March 2014 | | 31 March 2013 | |
|--------------------------------------|---------------------|-----------------|---------------|----------|
| | No.of Shares | Value | No.of Shares | Value |
| Equity Shares | | | | |
| At the beginning of the period | 25,30,00,000 | 2,530.00 | 25,30,00,000 | 2,530.00 |
| Issued during the period | - | - | - | - |
| Outstanding at the end of the period | 25,30,00,000 | 2,530.00 | 25,30,00,000 | 2,530.00 |

2.2 Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of ₹ 1 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

2.3 Shares held by holding/ultimate holding company

Out of equity shares issued by the company, details of shares held by its holding company is as below :

| | 31 March 2014 | 31 March 2013 |
|---|---------------------|---------------|
| Name of the Shareholder | No.of Shares | No.of Shares |
| Beaver Engineering & Holdings Private Limited | 14,30,59,443 | 14,30,59,443 |

Notes to Financial Statements for the year ended March 31, 2014
2.4 Details of shareholders holding more than 5% shares in the company

(₹ in Lakhs)

| Name of the Shareholder | 31 March 2014 | | 31 March 2013 | |
|--|---------------|------------------------|---------------|------------------------|
| | No. of Shares | % holding in the class | No. of Shares | % holding in the class |
| Equity shares of Re.1 each fully paid | | | | |
| Beaver Engineering & Holdings Private Limited | 14,30,59,443 | 56.55 | 14,30,59,443 | 56.55 |
| Dr. A J Prasad | 2,76,54,500 | 10.93 | 2,76,54,500 | 10.93 |
| Citigroup Global Markets Mauritius Private Limited | 1,67,01,761 | 6.60 | 1,67,01,761 | 6.60 |
| Reliance Capital Limited | 1,43,60,000 | 5.68 | 1,43,60,000 | 5.68 |

Note : 3 Reserves and Surplus

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|-----------|---------------|-----------|
| | | | | |
| Capital Reserve | | 1.02 | | 1.02 |
| Investment Subsidy from State Government | | 55.77 | | 55.77 |
| Securities Premium Account | | 10,437.77 | | 10,437.77 |
| General Reserve | | | | |
| Opening Balance | 36,000.00 | | 35,000 | |
| Add: Transferred from Profit & Loss Statement | 500.00 | 36,500.00 | 500.00 | 36,000.00 |
| Surplus as per Profit & Loss Statement | 8,991.11 | | | 5,582.04 |
| | | 55,985.67 | | 52,076.60 |

Note : 3.1 Surplus/(deficit) in the statement of profit and loss

| | 31 March 2014 | | 31 March 2013 | |
|--|---------------|-----------|---------------|----------|
| | | | | |
| Balance as per last financial statements | 5,582.04 | | 4,478.68 | |
| Profit for the Period | 4,501.05 | 10,083.10 | 2,044.42 | 6,523.11 |
| Less : Dividend on Equity Shares | 506.00 | | 379.50 | |
| Tax on Dividend | 85.99 | | 61.56 | |
| Transfer to General Reserve | 500.00 | 1,091.99 | 500.00 | 941.06 |
| | | 8,991.11 | | 5,582.04 |

Note : 4 : Non-Current Liabilities

| Long-Term Borrowings | 31 March 2014 | | 31 March 2013 | |
|---|---------------|----------|---------------|-----------|
| | Non-current | Current | Non-current | Current |
| A) Secured Loans from | | | | |
| IDBI Bank Limited | 1,713.60 | 2,371.60 | 4,085.20 | 2,371.60 |
| State Bank of India | 2,159.63 | 1,451.38 | 3,611.01 | 1,620.00 |
| State Bank of Hyderabad | 1,050.00 | 905.83 | 1,955.83 | 1,100.00 |
| Exim Bank Ltd - | - | | 177.94 | 258.82 |
| Axis Bank Ltd - | - | | 5,254.94 | 4,280.00 |
| ICICI Bank Ltd | 2,300.00 | 2,300.00 | 4,600.00 | 2,300.00 |
| | 7,223.23 | 7,028.81 | 19,684.93 | 11,930.42 |
| B) Secured Loans from Others | | | | |
| Against Vehicles from HDFC Bank | 62.21 | 54.75 | 22.98 | 72.33 |
| | 62.21 | 54.75 | 22.98 | 72.33 |
| C) Unsecured Loans | | | | |
| Interest Free Sales Tax Loan (Deferred Payment Liability) | 1,171.62 | 319.38 | 1,636.37 | 42.43 |
| Loan from HPFSIPL | 103.38 | 35.86 | 123.10 | 28.83 |
| Finance Lease Obligations from HPFSIPL | 46.82 | 16.37 | 63.19 | 14.51 |
| Loan from Holding Company | 13,800.00 | - | 12,000.00 | - |
| | 15,121.83 | 371.60 | 13,822.66 | 85.77 |
| Total (A+B+C) | 22,407.26 | 7,455.17 | 33,530.57 | 12,088.53 |

Notes to Financial Statements for the year ended March 31, 2014

4.1 Term Loans :

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under.

4.1.1 Current Maturities of Long Term Loans

Instalments due within 12 months from the date of Balance Sheet classified as current as shown above are disclosed under " Other Current Liabilities"

4.1.2 Term Loan from IDBI, SBI & SBH :

The Term Loans from IDBI, State Bank of Hyderabad and State Bank of India are secured by a first charge on the movable and immovable assets (both present and future) of the company, (save and except exclusive charges already created if any) situated (a) at Lalgadi Malakpet and Aliabad Villages, Shameerpet Mandal, Ranga Reddy Dist, (b) at Nandigaon Village, Mahbubnagar Dist, (c) at Bhootpur Village, Mahaboobnagar Dist, (d) at Kandivalasa Village, Vijayanagaram Dist, and (e) at VSEZ, Visakhapatnam Dist. The loans are also secured by a second charge on the current assets of the company. These loans are also guaranteed by Managing Director and a Director in their personal capacity.

| Name of the Bank | Loan Amount | No of Instalments (Quarterly) | % of Interest | Outstanding Ason 31-03-2014 | No of Instalments Due |
|-------------------------|-------------|-------------------------------|---------------|-----------------------------|-----------------------|
| IDBI BANK LIMITED | | | | | |
| - Term Loan I | 6,000.00 | 24 | 13.00 | 1,000.00 | 4 |
| - Term Loan II | 7,200.00 | 21 | 13.50 | 3,085.20 | 10 |
| STATE BANK OF INDIA | | | | | |
| - Term Loan I | 3,000.00 | 24 | 13.50 | 331.38 | 3 |
| - Term Loan II | 7,200.00 | 26 | 13.95 | 3,279.63 | 12 |
| STATE BANK OF HYDERABAD | | | | | |
| - Term Loan I | 3,000.00 | 24 | 14.70 | 305.83 | 3 |
| - Term Loan II | 3,600.00 | 24 | 14.20 | 1,650.00 | 11 |

4.1.3 Term Loan from ICICI Bank :

The term loan of ₹ 6,000 lakhs for Capex and ₹ 4,000 lakhs for working capital is secured by subservient / residual charge on all current and moveable assets of the Company both present and future. The charge is subservient to the existing lenders to the extent of all drawn and undrawn limits of term loans and working capital only. The loan is guaranteed by the Managing Director and a Director in their personal capacity.

| | Loan Amount | No of Instalments (Quarterly) | % of Interest | Outstanding Ason 31-03-2014 | No of Instalments Due |
|---------------------------|-------------|-------------------------------|---------------|-----------------------------|-----------------------|
| Term Loan | 6,000.00 | 16 | 13.00 | 3,000.00 | 8 |
| Working Capital Term Loan | 4,000.00 | 20 | 13.00 | 1,600.00 | 8 |

4.2 Other Loans :

4.2.1 HDFC Bank

The Term Loans for acquiring vehicles are secured by exclusive hypothecation of vehicles acquired through execution of D.P. Note.

4.3 Unsecured Loans

4.3.1 Interest Free Sales Tax Loan (IFST):

IFST Loan of ₹ 1,491.00 lakhs shown under unsecured loan represents the Sales tax payable by the Company given as Loan by A.P State Government under a scheme, to be repaid without interest after 14 years from the date of availment. The loan requires creation of a charge on the assets of the Company. Pending creation of charge, the amount is shown as 'Unsecured Loan' to be regrouped as Secured Loan as and when the charge is created.

Notes to Financial Statements for the year ended March 31, 2014

4.3.2 Term Loan from Hewlett-Packard Financial Services India Pvt Ltd (HPFSIPL) towards implementation of SAP Project is repayable in 20 quarterly instalments from the date of loan with interest at the rate ranging between 11% and 13%. The loan is also guaranteed by a Director of the Company.

4.3.3 Finance Lease of Assets from Hewlett-Packard Financial Services India Pvt Ltd (HPFSIPL) for Implementation of SAP Project is repayable by way of lease rentals over a period of 5 years and is also guaranteed by a Director of the Company.

4.3.4 Loan from Holding Company is Interest free and is repayable after a moratorium period of 10 years from the date of first drawl.

4.4 There were no continuing defaults as on the Balance Sheet date in repayment of loan instalments and interest

Note : 5 Deferred Tax Liability (Net)

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|-----------------|---------------|----------|
| | | | | |
| Deferred Income Tax Liability (As per last Balance Sheet) | | 2,251.42 | | 1,951.42 |
| Add: Deferred Income Tax Liability for the year | | 205.28 | 300.00 | |
| | | 2,456.70 | | 2,251.42 |

Note : 6 Provisions

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|-----------------|---------------|------------|
| | Long-Term | Short-Term | Long-Term | Short-Term |
| Provision for Employee benefits | | | | |
| Provision for Earned Leave Encashment | 203.00 | 14.48 | 158.72 | 5.43 |
| Provision for Gratuity | - | 249.27 | - | - |
| Other Provisions | | | | |
| Provision for Warranties | - | 663.84 | - | 553.37 |
| Provision for Excise & Customs Duty on Closing Stocks | - | 378.24 | - | 322.57 |
| Provision for Commission on Profits | - | - | - | 56.16 |
| Provision for Proposed Equity Dividend | - | 506.00 | - | 379.50 |
| Provision for Tax on Proposed Equity Dividend | - | 85.99 | - | 61.56 |
| | 203.00 | 1,897.82 | 158.72 | 1,378.59 |

Note : 7 Current Liabilities

| | 31 March 2014 | | 31 March 2013 | |
|--|------------------|------------------|---------------|-----------|
| | | | | |
| Short Term Borrowings (Loans repayable on Demand) | | | | |
| Working Capital Loans from | | | | |
| State Bank of India | 13,748.63 | | 13,284.28 | |
| State Bank of Hyderabad | 2,547.42 | | 2,986.18 | |
| IDBI Bank Ltd | 3,625.62 | | 3,668.78 | |
| ICICI Bank Ltd | 4,979.79 | | 5,000.40 | |
| Axis Bank Ltd | 3,972.10 | | - | |
| Axis Bank Ltd EPC | 980.53 | | - | |
| Buyers Credit from Banks | 5,437.36 | 35,291.45 | 5,382.18 | 30,321.81 |
| Unsecured (from Banks) | | | | |
| Purchase Bill Discounting from Kotak Mahindra Bank Ltd | | 2,336.38 | | 1,274.58 |
| Purchase Bill Discounting from IDBI Bank Ltd | | 1,430.40 | | - |
| Sale Bill Discounting backed by LCs from Banks | | 1,144.37 | | 3,714.24 |
| HDFC Short Term Loan | | 1,500.00 | | - |
| Yes Bank Ltd EPC | | 882.59 | | - |
| Yes Bank Ltd Current Account | | 90.62 | | - |
| Unsecured (from others) | | | | |
| Inter Corporate Deposit from Holding Company | | 245.00 | | - |
| Inter Corporate Deposit from Others | | - | | 300.00 |
| Loans from Directors | | 321.00 | | 276.00 |
| | | 43,241.82 | | 35,886.64 |

Notes to Financial Statements for the year ended March 31, 2014

7.1 Working Capital Loans

The Working Capital Loans from the State Bank of India, State Bank of Hyderabad, IDBI Bank Ltd, ICICI Bank Ltd and Axis Bank are secured by a first charge on all the chargeable current assets and by a second charge on the fixed assets (both present and future) of the Company. All the loans are also guaranteed by Managing Director, two other Directors of the Company, and Smt. A. Uma Devi in their personal capacities.

- 7.2 Purchase Bill Discounting from Kotak Mahindra Bank Ltd. is guaranteed by CMD and a Director of the Company in their personal capacity. Purchase Bill Discounting from IDBI Bank Ltd. is secured by accepted bill of exchange and post dated cheque/standing instructions for making payment on due date
- 7.3 The facilities extended by YES Bank are secured by subservient charge on all the current and movable fixed assets of the company. Further the facilities are guaranteed by Managing Director and one other promoter director of the Company.
- 7.4 Working Capital Short Term Loan from HDFC Bank is secured by personal guarantee of CMD and is repayable within 90 days with interest @10.50% p.a.
- 7.5 Inter Corporate Deposit from Holding Company is repayable on demand with interest @ 12% p.a.
- 7.6 Loan from Directors is repayable on demand with interest @ 12% p.a.
- 7.7 There were delays in clearing the Purchase bills discounted with IDBI Bank Limited and Kotak Mahindra Bank to the extent of ₹ 355.21 Lakhs for a period of 7 days as on the Balance Sheet date (since cleared).
The outstanding balance in YES Bank Ltd current account represents facility reckoned as Cash Credit.

Note : 8

(₹ in Lakhs)

| Trade Payables | 31 March 2014 | 31 March 2013 |
|------------------------|---------------|---------------|
| Trade Payables | 28,335.58 | 18,025.65 |
| Dues to MSME Creditors | 971.97 | 1,195.79 |
| | 29,307.55 | 19,221.44 |

- 8.1 The Company has amounts dues to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act).

| | 2013-14 | 2012-13 |
|--|----------|----------|
| The principal amount and the interest due thereon remaining unpaid to any supplier at the year end : | | |
| Principal amount | 971.97 | 1,195.79 |
| Interest | 38.46 | 48.59 |
| The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day Principal amount Interest | 4,429.44 | 5,891.24 |
| | - | - |
| The amount of interest due and payable for the period of delay in making payment (beyond the appointed day during the year) | 88.21 | 147.42 |
| The amount of interest accrued and remaining unpaid | 126.68 | 196.01 |
| The amount of further interest remaining due and payable for the earlier years | 425.00 | 228.99 |

Note: The information has been given in respect of those suppliers who have intimated the Company that they are registered as micro, small and medium enterprises. Some of the vendors who come under the MSMED Act 2006 have been associated with the company for a long time and have a continuous business relationship. The company is usually prompt in servicing these vendors as per mutually agreed payment terms. In view of such longstanding relationship, no claims were received by the Company. The Company expects that there will be no claims in future also for interest.

Notes to Financial Statements for the year ended March 31, 2014**Note : 9 Other Current Liabilities**

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|---|----------------------|---------------|
| Current Maturities of Long-Term Debt (Refer Note no: 4.1.1) | 7,455.17 | 12,088.53 |
| Other Payable Employees | 1,542.40 | 1,003.79 |
| Trade Deposits & Advances Against Sales | 6,998.56 | 4,695.08 |
| Statutory Dues | 362.83 | 595.76 |
| Interest Accrued and Due | 4.80 | |
| Interest Accrued But not Due on Loans | 185.06 | 298.67 |
| Unpaid/unclaimed Dividends * | 27.66 | 26.35 |
| Directors' Current Account | 171.53 | 106.20 |
| Creditors for Capital Expenditure | 353.39 | 574.94 |
| Other Payables | 1,683.65 | 1,611.40 |
| | 18,785.03 | 21,000.73 |

* There were no amounts due and outstanding as on the Balance Sheet date to be credited to Investor Education & Protection Fund

Note : 10
Tangible Assets (at Cost) (₹ in Lakhs)

| Description | Gross Block | | | Depreciation/Amortisation Block | | | Net Block | |
|----------------------------|---------------------|-----------|-----------------------|---------------------------------|---------------------|----------------|----------------------|----------------------|
| | As On April 1, 2013 | Additions | Adjustments/Deletions | As On March 31 2014 | As On April 1, 2013 | For the Period | As On March 31, 2014 | As On March 31, 2013 |
| Land - Freehold | 3,513.62 | 13.89 | - | 3,527.51 | - | - | 3,527.51 | 3,671.04 |
| Land - Leasehold | 246.99 | - | - | 246.99 | - | 20.83 | 226.15 | 89.57 |
| Buildings - Factory | 17,531.29 | 281.67 | - | 17,812.96 | 2,517.18 | 590.99 | 14,704.79 | 15,014.11 |
| Buildings - Others | 1,094.41 | 47.56 | 192.58 | 949.39 | 69.60 | 16.67 | 871.87 | 1,024.81 |
| Plant & Machinery | 39,765.16 | 1,622.67 | 12.21 | 41,375.62 | 14,161.45 | 2,532.34 | 24,687.52 | 25,603.71 |
| Office Equipment | 1,832.88 | 61.85 | 10.01 | 1,884.73 | 984.80 | 185.50 | 1,160.70 | 848.08 |
| Assets Under Finance Lease | 86.48 | - | - | 86.48 | 8.66 | 14.02 | 63.80 | 77.82 |
| Furniture & Fixtures | 797.83 | 18.86 | 1.58 | 815.10 | 370.79 | 51.44 | 393.38 | 427.04 |
| Vehicles | 1,248.07 | 133.86 | 57.15 | 1,324.79 | 640.53 | 102.22 | 613.87 | 607.54 |
| Technical Library | 1.89 | - | - | 1.89 | 1.89 | - | - | - |
| Sub Total (A) | 66,118.62 | 2,180.37 | 273.53 | 68,025.45 | 18,754.90 | 3,514.01 | 45,812.92 | 47,363.72 |
| Previous Year | 65,171.20 | 1,816.72 | 869.30 | 66,118.62 | 15,774.74 | 3,601.55 | 47,364.72 | |

| | |
|--------------------------|----------|
| Less : | |
| Capitalised Prior Period | 14.02 |
| As per P&L statement | 22.88 |
| | 36.90 |
| | 3,477.11 |

10.1 Breakup of adjustments/deletions in Gross and Depreciation blocks : (₹ in Lakhs)

| | Original Cost | Cumulative Depreciation | Written Down Value | Remarks |
|--|---------------|-------------------------|--------------------|--|
| a) Details of Vehicles sold | 57.15 | 31.83 | 25.32 | The Vehicles were sold at ₹ 20.00 lakhs and the resultant loss of ₹ 5.32 lakhs is shown under exceptional item. |
| b) Details of Non Factory Buildings sold along with Fixtures and Office Equipment at Banjara Hills & Vizag | 204.17 | 18.86 | 185.31 | The assets were sold at ₹ 282.52 lakhs and the resultant profit of ₹ 97.21 lakhs is shown under exceptional item |
| c) Details of other assets sold | 12.21 | 5.69 | 6.52 | The assets were sold at ₹ 0.43 lakhs and the resultant loss of ₹ 6.10 lakhs is shown under exceptional item. |
| Total | 273.53 | 56.38 | 217.15 | |

10.2 Gross block as on 31.03.2014 includes Factory Buildings amounting to ₹ 3,428.09 Lakhs representing Assets Capitalised on the basis of Assets being Ready for use, but yet to be put to intended use.

Note : 11 Intangible Assets (at Cost) (₹ in Lakhs)

| Description | Gross Block | | | Depreciation/Amortisation Block | | | Net Block | |
|---|---------------------|-----------|-----------------------|---------------------------------|---------------------|----------------|----------------------|----------------------|
| | As On April 1, 2013 | Additions | Adjustments/Deletions | As On March 31, 2014 | As On April 1, 2013 | For the Period | As On March 31, 2014 | As On March 31, 2013 |
| Intangible Assets | | | | | | | | |
| New Product Development Expenditure(Internally generated) | 2,054.04 | 509.66 | 91.81 | 2,471.90 | 884.79 | 332.79 | 1,195.08 | 1,169.25 |
| Asset Power Facility | 96.16 | - | - | 96.16 | 4.81 | 19.23 | 24.04 | 91.36 |
| Technical Knowhow fee | - | 295.48 | - | 44.32 | - | 44.32 | 44.32 | - |
| Sub Total (B) | 2,150.21 | 805.14 | 91.81 | 2,863.54 | 889.60 | 396.35 | 1,263.44 | 1,260.61 |
| Previous Year | 2,054.04 | 96.16 | - | 2,150.21 | 473.98 | 415.62 | 889.60 | 1,260.61 |

Note : 12 Capital Work in Progress

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Machinery under Erection | 1,737.38 | 1,958.28 |
| Civil Works in Progress | 45.40 | 248.25 |
| Pre-operative Expenses to be capitalised | 333.52 | 417.53 |
| | 2,116.31 | 2,624.07 |

Note : 13 Intangible Assets Under Development/Progress (at cost)

| Description | As On April 1, 2013 | Additions during the year | Adjustments/Deletions | Transfer on Completion to Intangible Asset | As On March 31, 2014 |
|---|---------------------|---------------------------|-----------------------|--|----------------------|
| 1) New Product Development Expenditure (Internally generated) | | | | | |
| a) Battery Products | 1,529.41 | - | 112.61 | 311.05 | 1,105.75 |
| b) Electronic Products | 785.31 | 65.50 | - | 198.61 | 652.20 |
| 2) Technical Knowhow fee paid | 1,574.04 | - | - | 295.48 | 1,278.55 |
| 3) Power Facility cost | - | 14.88 | - | - | 14.88 |
| 4) SAP Project Expenditure | 258.65 | 187.10 | - | - | 445.75 |
| 5) Others | 13.12 | - | 13.12 | - | - |
| Total | 4,160.54 | 267.47 | 125.73 | 805.14 | 3,497.13 |

In respect of Battery Products, the company has completed all activities relating to development and is in the process of installing the mass production facilities and sales network, which are expected to be completed shortly. The Company has not incurred any additional cost, during the year, on such products. In respect of Other Products, development is in progress.

Note : 14 Non-Current Investments (at Cost)

(₹ in Lakhs)

| | No. of Equity Shares Held Number (Previous Year) | Face Value Face Value per unit | Details | 31 March 2014 | 31 March 2013 |
|----------|---|-----------------------------------|--|---------------|---------------|
| i) a) | Investment in Equity Subsidiary Companies | | | | |
| | - (27375200) | Rs. 10 | Agile Electric Sub Assembly Pvt Ltd (Refer Note : 14.2.1) | - | 11,288.05 |
| | 250 (250) | Euro 100 | HBL Germany GMBH | 14.92 | 14.92 |
| | 9999500 (9999500) | Rs. 10 | SCIL Infracon Pvt Ltd | 1,248.37 | 1,248.37 |
| | 450 (450) | USD 1000 | HBL America Inc | 223.99 | 223.99 |
| b) | Associate Company 41000 (41000) | Rs. 10 | Naval Systems & Technologies Pvt Ltd | 4.10 | 4.10 |
| c) | Joint Venture Company 1100000 (1100000) | SR 10 | Gulf Batteries Company Ltd (Kingdom of Saudi Arabia) | 1,424.51 | 1,424.51 |
| d) | Controlled Company 90000 (90000) | Rs. 10 | Kairos Engineering Ltd. | 9.00 | 9.00 |
| e) | Other Companies 2600 (-) | Rs. 10 | VARP Power Pvt Ltd | 0.26 | - |
| | (Quoted) 200 (200) | Rs. 10 | Indian Lead Ltd | 0.10 | 0.10 |
| | - (2060482) | - Rs. 10 | Sankhya Infotech Ltd (Refer Note : 14.2.2) | - | 721.81 |
| ii) | Investment in Limited Liability Partnership (LLP) HBL Suntech LLP | | | 18.30 | 18.30 |
| | TOTAL | | | 2,943.54 | 14,953.14 |

Notes to Financial Statements for the year ended March 31, 2014

14.1 All Investments are Trade and Un quoted (unless other wise stated) and are classified as permanent (Non Current). No provision is made for fall in the value of investment as the dimunition is considered to be temporary.

| | ₹ | ₹ |
|--|---------------|---------------|
| Aggregate amount of Quoted investments | 0.10 | 721.91 |
| Aggregate Market Value of Quoted Investments | Not Available | Not Available |
| Aggregate provision for Dimunition in value of investments | - | - |

14.2 Investments :

14.2.1 During the year, the company had sold the entire holding of 2,73,75,200 shares in Agile Electric Sub Assembly Pvt Ltd for a sale consideration of ₹ 17506.14 Lakhs

14.2.2 During the year, the company had sold the entire holding of 20,60,482 shares in Sankhya Infotech Ltd for a sale consideration of ₹ 148.35 Lakhs

14.2.3 In pursuance of MOU entered by the company, M/s.HBL Miltrade Pte Ltd, Singapore, allotted one share (Face value – One Singapore Dollar) to the company. The company is yet to pay for the same. Pending remittance, Investment is not disclosed in the Balance Sheet.

Note : 15 Loans and Advances

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---|-----------------|-----------------|---------------|------------|
| | Long-Term | Short-Term | Long-Term | Short-Term |
| Capital Advances | | | | |
| Unsecured, Considered Good | 273.06 | - | 231.96 | - |
| (A) | 273.06 | - | 231.96 | - |
| Security Deposits | | | | |
| Unsecured, Considered Good | 759.30 | 315.89 | 746.63 | 379.96 |
| (B) | 759.30 | 315.89 | 746.63 | 379.96 |
| Loans & Advances to Related Parties | | | | |
| Unsecured, Considered Good | - | 666.45 | - | 766.48 |
| (C) | - | 666.45 | - | 766.48 |
| Other Loans & Advances | | | | |
| Loans and advances to Employees | 14.83 | 79.04 | 7.14 | 74.31 |
| Deposits/Balances with Excise/Sales Tax Authorities | - | 932.08 | - | 480.26 |
| Advance for Purchases and Others | - | 2,363.35 | - | 1,366.96 |
| Interest Accrued But not Due on Deposits | - | 493.83 | - | 319.44 |
| Service Tax Input/Vat Receivables | - | 324.50 | - | 288.98 |
| Claims & Other Receivables | - | 411.44 | - | 273.94 |
| Other Advances | - | 143.79 | - | 263.32 |
| Income Tax Refunds Receivable | - | 59.96 | - | 52.35 |
| MAT Credit Entitlement | - | 1,423.40 | - | 813.00 |
| (D) | 14.83 | 6,231.39 | 7.14 | 3,932.57 |
| Advance Payment of Income Tax (including TDS) | | 2,612.76 | | 2,358.04 |
| Less : Provision for Income Tax/Wealth Tax | | 1,650.28 | | 538.00 |
| (E) | | 962.49 | | 1,820.04 |
| Total (A+B+C+D+E) | 1,047.19 | 8,176.22 | 985.73 | 6,899.04 |

15.1 Particulars of Loans and Advances due from the Related Parties

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| SCIL Infracon Pvt Ltd (Subsidiary company) | 628.77 | 728.80 |
| Kairos Engineering Ltd (Controlled Company) | 34.78 | 34.78 |
| Sankhya Infotech Ltd . (Associate Company) | 2.90 | 2.90 |
| | 666.45 | 766.48 |

15.2 Claims & Other Receivables

During the financial year 2011-12, due to heavy rainfall, there was a damage to one of the factory buildings and incidental damage to Plant & Machinery and stocks in process. The assets were insured under reinstatement value policy which was in force as on the date of incident. The total cost for repairing, rebuilding the factory shed/acquiring related machinery and damaged inventory is estimated at ₹ 264.00 Lakhs. The company is in the process of restoring the damaged assets and the cost incurred in this regard upto 31.03.2014 was ₹ 102.70 Lakhs, which is included in Claims & Other Receivables. The Company has received repudiation letter from the Insurer and the company is preferring to proceed legally against the Insurance company.

Notes to Financial Statements for the year ended March 31, 2014

Current Assets

Note : 16 Inventories *

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Raw Materials | 32,042.11 | 21,446.94 |
| Stores, Spares, Process Chemicals, Fuels & Packing Material | 467.46 | 417.51 |
| Stock -in-trade (in respect of goods acquired for trading) | 479.98 | 805.12 |
| Bonded Stocks/In Transit | 3,696.23 | 1,557.54 |
| Consumable Tools | 10.69 | 12.06 |
| Work In Progress | 17,599.08 | 12,801.65 |
| Finished Goods | 5,461.16 | 6,261.87 |
| | 59,756.69 | 43,302.69 |

* Inventories are valued as per Accounting Policy J of Note No. 1

Note : 17 Trade Receivables

| | 31 March 2014 | | 31 March 2013 | |
|--|---------------|------------|---------------|------------|
| | Long-Term | Short-Term | Long-Term | Short-Term |
| Outstanding for a period exceeding six months from the date they are due for payment | | | | |
| Secured, Considered Good | | | | |
| Unsecured, Considered Good | | 4,838.05 | | 4,320.51 |
| Provision for Doubtful Receivables | | - | | - |
| (A) | - | 4,838.05 | - | 4,320.51 |
| Other Receivables | | | | |
| Secured, Considered Good | | | | |
| Unsecured, Considered Good | | 40,970.10 | | 38,817.56 |
| (B) | - | 40,970.10 | - | 38,817.56 |
| Total (A+B) | - | 45,808.16 | - | 43,138.07 |

17.1 Particulars of Trade Receivables due from the Related Parties

| | As on 31.03.2014 | As on 31.03.2013 |
|---|------------------|------------------|
| Agile Electric Sub Assembly (P) Ltd (Subsidiary of Subsidiary company) | - | 0.20 |
| SCIL Infracon Pvt Ltd (Subsidiary company) | 42.76 | 17.18 |
| HBL Germany, GMBH | 5,468.94 | 3,662.11 |
| HBL America | 949.65 | 456.96 |
| HBL Suntech, LLP | 503.87 | 811.32 |
| Gulf Batteries Co. Ltd (KSA) (Joint Venture Company) | 955.89 | 1,431.19 |
| Kairos Engineering Ltd (Controlled Company) | 3.37 | 1.88 |
| Guided Missile Engineering India Pvt Ltd (Associate Company) | - | 4.00 |
| Total | 7,924.48 | 6,384.84 |

Notes to Financial Statements for the year ended March 31, 2014
Note : 18 Cash and Bank Balances

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|----------|---------------|----------|
| | Non-Current | Current | Non-Current | Current |
| Cash & Cash Equivalents | | | | |
| Cash on hand | | 18.81 | | 19.46 |
| Current Accounts | | 1,472.35 | | 946.19 |
| (A) | - | 1,491.16 | - | 965.65 |
| Other Bank Balances | | | | |
| Fixed Deposits with original maturity of less than three months | | 130.66 | | 141.64 |
| Fixed Deposits | 15.71 | 55.62 | 27.32 | 54.38 |
| Margin Money Deposits | 1,391.93 | 2,943.85 | 1,201.82 | 929.95 |
| Dividend Account | | 27.66 | | 26.35 |
| (B) | 1,407.63 | 3,157.79 | 1,229.14 | 1,152.33 |
| Total (A+B) | 1,407.63 | 4,648.95 | 1,229.14 | 2,117.98 |

Note : 19 Revenue from Operations

| | 31 March 2014 | 31 March 2013 |
|--------------------------------|---------------|---------------|
| Revenue from Operations | | |
| Sales of Products | 1,30,642.77 | 1,19,623.47 |
| Traded Goods | 393.50 | 1,877.94 |
| Sales of Services | 6,241.47 | 6,105.18 |
| Other Operating Revenue | | |
| Sale of Scrap | 38.54 | 32.05 |
| | 1,37,316.28 | 1,27,638.64 |
| Less : Excise Duty | 9,236.93 | 7,896.95 |
| | 1,28,079.35 | 1,19,741.69 |

19.1 Details of Products sold
19.1.1 Sale of Products/Scrap (Net of Duty)

| | | |
|---------------------------------------|-------------|-------------|
| Lead Acid Batteries | 77,490.60 | 6,717.34 |
| Nicad Battery Cells | 1,716.28 | 2,398.97 |
| Silver Zinc Battery Cells | 1,014.35 | 1,887.14 |
| Lithium Battery Cells | 503.05 | 163.49 |
| Nickel Cadmium Pocket Plate Batteries | 25,473.49 | 29,370.95 |
| Electronic Chargers/Rectifiers | 5,554.46 | 5,993.03 |
| Battery Operated Vehicles | 0.45 | 10.53 |
| Solar Photovoltaic Module | 4,341.72 | 1,750.69 |
| Other Products | 5,349.98 | 3,010.37 |
| | 1,21,444.38 | 1,11,758.57 |

19.1.2 Traded goods sold

| | | |
|----------------|--------|----------|
| Batteries | 0.69 | 676.94 |
| Other Products | 392.81 | 1,201.00 |
| | 393.50 | 1,877.94 |

19.1.3 Details of Income for services rendered

| | | |
|---|-------------|-------------|
| Installation & commissioning Charges Received | 457.66 | 248.88 |
| Works Contract Receipts | 1,380.30 | 1,388.83 |
| Service Charges | 3,484.35 | 3,370.25 |
| Job Work Charges / Testing Charges | 294.66 | 568.72 |
| Design & Development Service | 624.50 | 528.50 |
| | 6,241.47 | 6,105.18 |
| Grand Total | 1,28,079.35 | 1,19,741.69 |

Notes to Financial Statements for the year ended March 31, 2014

Note : 20 Other Income

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Interest Received on Deposits with Banks/Others | 462.46 | 385.53 |
| Interest on ICD | - | 171.44 |
| Interest on IT Refunds | 146.63 | 3.43 |
| Foreign Exchange Rate Variation | - | 164.35 |
| Rents Receive | 5.40 | 5.40 |
| Recovery of Bad debts written off | 61.54 | 34.46 |
| Provisions/Credit Balances no longer required written back | 300.98 | 73.04 |
| Sales Tax Refund Received | 12.86 | 38.20 |
| Miscellaneous Income | 11.14 | 34.94 |
| Duty Drawback Received | 0.53 | 2.41 |
| | 1,001.53 | 913.19 |

Note : 21 Cost of Material Consumed

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|-----------|---------------|-----------|
| Opening Stocks | 21,446.94 | | 15,418.07 | |
| Purchases, Material, Components & Consumables | 93,176.70 | | 79,127.01 | |
| | 1,14,623.65 | | 94,545.09 | |
| Less : Closing Stocks | 32,042.11 | 82,581.54 | 21,446.94 | 73,098.14 |
| Less : Internal Capitalisation | | 286.86 | | 61.41 |
| Cost of Material Consumed | | 82,294.68 | | 73,036.73 |

21.1 Details of Inventory Raw Materials/Components/Consumables

| | 31 March 2014 | 31 March 2013 |
|------------------------------------|---------------|---------------|
| Lead & Lead Alloys | 10,682.30 | 6,778.87 |
| Battery Components | 1,959.75 | 1,807.35 |
| Nickel Based Materials | 2,634.65 | 2,649.20 |
| Silver | 342.72 | 558.21 |
| Poly Propylene Materials | 337.77 | 520.65 |
| Battery Separator | 947.24 | 529.18 |
| Copper | 266.88 | 316.06 |
| Electrical & Electronic Components | 9,539.22 | 1,869.99 |
| Packing Materials | 247.01 | 260.49 |
| CR Sheets | 167.38 | 122.38 |
| Solar Panel Materials | 338.02 | 346.28 |
| Others | 4,579.16 | 5,688.28 |
| | 32,042.10 | 21,446.94 |

21.2 Details of Consumption of Raw Materials

| | 31 March 2014 | 31 March 2013 |
|--------------------------------------|---------------|---------------|
| Battery Separator | 2,335.11 | 2,372.79 |
| Lead Calcium | 20,625.40 | 15,705.86 |
| Lead Sub Oxide | 23,420.30 | 18,721.77 |
| Poly Propylene | 2,929.01 | 2,198.13 |
| C R Sheet | 2,929.49 | 2,747.79 |
| Nickel Hydroxide Powder | 1,978.87 | 3,086.07 |
| Nickel Sulphate | 1,417.86 | 2,337.26 |
| C R Strip | 950.59 | 1,330.13 |
| Nickel Powder | 333.12 | 339.88 |
| Transformers, Chokes, Electric Items | 3,360.88 | 2,291.28 |
| Others | 22,014.05 | 21,905.77 |
| | 82,294.68 | 73,036.73 |

21.3 Value of Imported Raw Materials consumed and their percentage to Total Consumption (₹ in Lakhs)

| | 2013-14 | % | 2012-13 | % |
|-----------------------|-----------|--------|-----------|--------|
| Imported Raw Material | 32,494.89 | 39.49 | 31,747.10 | 43.47 |
| Indigenous Materials | 49,799.79 | 60.51 | 41,289.63 | 56.53 |
| | 82,294.68 | 100.00 | 73,036.73 | 100.00 |

Notes to Financial Statements for the year ended March 31, 2014

Note : 22 (Increase) / Decrease in Inventory

| | 31 March 2014 | | 31 March 2013 | |
|--------------------------------|---------------|------------|---------------|------------|
| a) Manufacturing Goods | | | | |
| i) Opening Stocks | | | | |
| a) Semi Finished Goods | 12,801.65 | 19,063.52 | 7,469.55 | 11,635.65 |
| b) Finished Goods | 6,261.87 | | 4,166.10 | |
| ii) Closing Stocks | | | | |
| a) Semi Finished Goods | 17,599.08 | 23,060.24 | 12,801.65 | 19,063.52 |
| b) Finished Goods | 5,461.16 | | 6,261.87 | |
| | | (3,996.72) | | (7,427.87) |
| b) Traded Goods | | | | |
| Opening Stock of Traded Goods | 805.12 | | 1,047.59 | |
| Less : Internal Capitalisation | 143.76 | | - | |
| Closing Stock of Traded Goods | 479.98 | 181.38 | 805.12 | 242.47 |
| | | (3,815.35) | | (7,185.40) |

22.1 Details of Inventory

22.1.1 Traded Goods

| | 31 March 2014 | 31 March 2013 |
|----------------|---------------|---------------|
| Batteries | 11.74 | 250.24 |
| Other Products | 468.24 | 554.87 |
| | 479.98 | 805.11 |

22.1.2 Work in Progress

| | 31 March 2014 | 31 March 2013 |
|---------------------------------------|---------------|---------------|
| Lead Acid Batteries | 11,006.49 | 7,914.40 |
| Nicad Battery Cells | 506.68 | 440.75 |
| Silver Zinc Battery Cells | 46.66 | 43.94 |
| Lithium Battery Cells | 151.88 | 51.29 |
| Nickel Cadmium Pocket Plate Batteries | 2,839.88 | 2,879.55 |
| Electronic Chargers/Rectifiers | 1,591.44 | 690.88 |
| Battery Operated Vehicles | 17.69 | 18.85 |
| Solar Photovoltaic Module | 39.26 | 205.58 |
| Others Products | 1,399.10 | 556.42 |
| | 17,599.08 | 12,801.66 |

22.1.3 Finished Goods

| | 31 March 2014 | 31 March 2013 |
|---------------------------------------|------------------|------------------|
| Lead Acid Batteries | 3,651.76 | 4,593.86 |
| Nicad Battery Cells | 145.83 | 116.00 |
| Nickel Cadmium Pocket Plate Batteries | 618.11 | 792.01 |
| Lithium Battery Cells | 32.49 | - |
| Electronic Chargers/Rectifiers | 230.41 | 153.68 |
| Solar Photovoltaic Module | 776.31 | 606.32 |
| Others Products | 6.25 | - |
| | 5,461.16 | 6,261.87 |
| Grand Total | 23,540.22 | 19,868.64 |

Notes to Financial Statements for the year ended March 31, 2014

Note : 23 Employees Cost

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Salaries, Wages & Bonus | 10,959.19 | 9,832.84 |
| Contribution to Provident & Other Funds | 722.33 | 756.13 |
| Gratuity | 261.92 | 129.68 |
| Staff Welfare Expenses | 803.81 | 929.81 |
| Recruitment & Training | 14.54 | 6.14 |
| | 12,761.78 | 11,654.60 |
| <i>Remuneration to Directors:</i> | | |
| Salaries & Allowances | 72.24 | 72.24 |
| Commission on Profits | - | 56.16 |
| Contribution to Provident Fund | 5.76 | 5.76 |
| | 12,839.78 | 11,788.76 |

Note : 24 Finance Cost

| | 31 March 2014 | 31 March 2013 |
|---|-----------------|-----------------|
| Interest on Term Loans | 2,661.97 | 4,829.42 |
| Interest on Bank Borrowings | 3,823.26 | 3,883.44 |
| Interest on Vehicle Loans | 10.24 | 19.19 |
| Interest on Equipment Loans | - | 4.89 |
| Interest on Other Loans | 18.94 | 11.00 |
| Interest on Unsecured Loans | 56.35 | 94.73 |
| Interest on Loan Against TDR's | - | 35.82 |
| Interest - Others | 74.43 | 35.86 |
| Bank Charges | 395.36 | 393.17 |
| BG Charges | 257.95 | 90.92 |
| LC Charges | 364.71 | 267.38 |
| | 7,663.22 | 9,665.82 |
| Less: Capitalised & Transferred to Pre Operative Expenses | 89.35 | 325.98 |
| Grand Total | 7,573.87 | 9,339.84 |

Note : 25 Depreciation and Amortization expense

| | 31 March 2014 | 31 March 2013 |
|-----------------------------------|---------------|---------------|
| Depreciation of Tangible Assets | 3,477.11 | 3,592.89 |
| Amortisation of Intangible Assets | 373.84 | 415.62 |
| | 3,850.95 | 4,008.50 |

Notes to Financial Statements for the year ended March 31, 2014

Note : 26 Other Expenses

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|------------------|---------------|------------------|
| Manufacturing Expenses | | | | |
| Stores & Spares Consumed | 1,375.33 | | 1,470.68 | |
| Equipment Lease Rentals | 108.14 | | 270.51 | |
| Factory Rent | 26.79 | | 26.63 | |
| Consumable Tools Charged Off | 14.66 | | 18.28 | |
| Job Work Charges Paid (Piece Rate Contract) | 4,078.96 | | 4,974.52 | |
| Testing Charges | 151.58 | | 127.86 | |
| Power and Fuel | 7,003.49 | | 7,849.89 | |
| Installation Charges paid | 301.92 | | 217.01 | |
| Televan Hire Charges | 429.55 | 13,490.41 | 480.97 | 15,436.34 |
| Administrative Expenses | | | | |
| Rent | 315.62 | | 311.39 | |
| Rates & Taxes | 160.39 | | 210.44 | |
| Licence Fees | 4.26 | | 28.01 | |
| Sales Tax on Works Contracts | 107.34 | | 89.21 | |
| Excise Duty on Stock Transfers to Branches | 237.22 | | 457.55 | |
| Excise duty paid on Samples & Replacements | 535.37 | | 234.11 | |
| Excise duty on Closing Stocks of Finished Goods | 174.59 | | 151.67 | |
| Insurance | 167.54 | | 147.99 | |
| Professional & Consultancy Charges | 290.69 | | 365.28 | |
| Security Expenses | 632.65 | | 543.60 | |
| Building & Garden Maintenance | 242.07 | | 178.85 | |
| Office & Office Equipment Maintenance | 273.91 | | 262.36 | |
| Vehicle Maintenance | 246.28 | | 208.67 | |
| Maintenance - Others | 289.09 | | 325.29 | |
| Conveyance | 927.45 | | 885.16 | |
| Travelling | 553.56 | | 594.45 | |
| Printing & Stationery | 197.73 | | 201.68 | |
| Postage, Telephones & Telex | 367.15 | | 412.57 | |
| Books & Periodicals | 83.23 | | 82.14 | |
| Foreign Exchange Rate Variation | 865.99 | | - | |
| Sundry Expenses | 318.47 | | 311.68 | |
| Directors Sitting Fees | 0.92 | | 0.88 | |
| Payment to Statutory Auditors | 35.00 | | 25.00 | |
| Audit Expenses | 7.74 | | 2.25 | |
| Advances written off | 135.83 | | 16.03 | |
| Donations | 8.12 | | 6.10 | |
| Deposits Written Off | 43.57 | 7,221.79 | 13.34 | 6,065.67 |
| Selling Expenses | | | | |
| Freight Outward | 2,896.16 | | 2,742.50 | |
| Freight and Insurance on exports | 348.40 | | 467.59 | |
| Export Expenses | 458.78 | | 577.90 | |
| Liquidated Damages | 248.91 | | - | |
| Commission On Domestic Sales | 24.19 | | 67.60 | |
| Commission On Export Sales | 38.86 | | 202.64 | |
| Discount to Dealers | 291.51 | | 37.91 | |
| Advertisement | 28.24 | | 21.61 | |
| Business Promotion | 72.00 | | 67.09 | |
| Membership & Subscriptions | 6.86 | | 5.07 | |
| Transit Insurance | 44.34 | | 36.34 | |
| Royalties On Sales | 87.04 | | 68.73 | |
| Bad debts written off | 526.75 | | 894.93 | |
| Provision for Warranties | 110.47 | | 47.63 | |
| Other Selling Expenses | 300.50 | 5,483.01 | 80.46 | 5,317.99 |
| Prior Period Expenditure | 259.48 | | 35.59 | |
| Consumption of Materials | 12.62 | | - | |
| Maintenance Expenses | 1.54 | | - | |
| Professional | (9.12) | | - | |
| Service Income | 15.40 | | 15.19 | |
| Selling Expenses | 22.88 | | (35.01) | |
| Depreciation | (0.52) | 302.28 | 50.79 | 66.56 |
| Other Expenses | | | | |
| | | 26,497.49 | | 26,886.57 |

Notes to Financial Statements for the year ended March 31, 2014

26.1 Payment to Auditors towards :

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|------------------------|---------------|---------------|
| Audit Fee | 30.00 | 20.00 |
| Tax Audit Fee | 2.50 | 2.50 |
| Tax Representation Fee | 2.50 | 2.50 |
| Service Tax | 0.00 | 3.09 |
| | 35.00 | 28.09 |

Note : 27 Exceptional Items of (Income)/Expenditure

| | 31 March 2014 | 31 March 2013 |
|-------------------------------|---------------|---------------|
| Assets written off | 4.71 | 127.12 |
| Loss on Sale of Investments | 573.45 | - |
| Loss on Fire Accident | 76.45 | - |
| Profit on Sale of Investments | (6,218.10) | (140.00) |
| Profit on sale of assets | (90.50) | (628.63) |
| Sales Tax Subsidy Received | - | (137.05) |
| | (5,653.98) | (778.56) |

Note : 28 Contingent Liabilities not provided for and commitments:

All known and undisputed claims and liabilities where there is a present obligation as a result of past events and it is probable that there will be an outflow of resources, have been duly provided for.

28.1 Contingent liabilities not provided for: Nature of Contingent Liability

| | As on 31.03.2014 | As on 31.03.2013 |
|--|------------------|------------------|
| a) Un-expired guarantees issued on behalf of the Company by banks for which the Company gave counter guarantees | 15,502.65 | 12,310.47 |
| b) Corporate Guarantee issued to ICICI Bank on behalf of Igarshi Motors India Ltd (a step down subsidiary of the company) for the loan facilities sanctioned to them. | - | 7,600.00 |
| c) Legal undertakings (LUTs) given to Custom's Authorities for clearing the imports at Nil / Concessional rate of duty pending fulfilment of export obligations, (net of the export obligations fulfilled of Rs. 9739.42 Lakhs (previous year Rs. 9780.12 Lakhs) for which the process of discharging the LUTs by the concerned authorities is at various stages). | 3,609.72 | 4,597.14 |
| d) Claims against the Company not acknowledged as debts towards : | | |
| Excise duty | 357.84 | 310.50 |
| Sales Tax | 317.41 | 98.42 |
| Custom duty | - | 33.85 |
| Service Tax | 10.68 | 10.68 |
| Income Tax Dispute for Assessment Year 2009-10 | 65.08 | 65.08 |
| Property Tax of VSEZ unit | 27.64 | 27.64 |
| Fuel surcharge adjustment (FSA) to the extent billed and disputed | 356.40 | 374.73 |
| Enhancement of Land Cost by Haryana State Industrial & Infrastructure Development Corporation Ltd, Manesar | 108.82 | 108.82 |
| Erstwhile promoters of SCIL Infracon Pvt Ltd | 188.31 | 188.31 |
| Others | 11.50 | 17.67 |

Notes to Financial Statements for the year ended March 31, 2014

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| 28.2 Estimated amount of contracts remaining to be executed on Capital account and not provided for. | 184.48 | 375.10 |
| 28.3 Investments committed by the Company in other Companies: In M/s. HBL Suntech,LLP against 60% Share in LLP (net of ₹ 18.30 Lakhs contributed as on 31-03-2014) | 101.70 | 101.70 |

Note : 29 Incometax and Sales Tax Assessments:
29.1 Income Tax:

The Company's assessments were completed upto Financial Year 2010-11 and the tax dues as per orders were paid and charged to revenue except for disputed issues under Appeal. Tax assessments for the years 2011-12 and 2012-13 are pending and the tax dues as per returns filed have been fully paid. The liability, if any, in respect of such pending assessments, that may arise upon completion is not ascertainable at this stage.

29.2 Sales Tax:

The Company has paid/provided for VAT/CST as per the records and returns filed upto 31.03.2014 after considering the Input VAT on purchases and also on the basis of concessional Forms expected to be received from customers. The liability, if any, in respect of pending assessments including those relating to non-submission of concessional Forms ('C' Forms etc.) is not ascertainable at this stage. The company is in the process of collecting concessional Forms from customers for submission before the assessments are completed/finalised.

Note :30 Confirmation of Balances

The Company has sent letters seeking confirmation of balances to various parties under Trade payables, Trade Receivables, Advance to suppliers and others, advance from customers. Based on the confirmations received and upon proper review, corrective actions have been initiated and accounting adjustments have been made wherever found necessary. Such confirmations are awaited from some parties most of whom are Government Departments and Public Sector Undertakings.

Note :31 Disclosures required to be made as per Accounting Standard (AS)
31.1 Disclosure as per AS-7 "Construction Contract"(for contracts in progress at the reporting date)

31.1.1 The Company recognised revenue based on Percentage completion method whereby stage of completion of a contract is determined with reference to the proportion that contract costs incurred (for work performed up to the reporting date) bear to the estimated total contract cost and wherever applicable after completion of inspection/certification of the work performed by the customers as stipulated in the contract.

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| 31.1.2 In respect of Contracts in progress on 31.03.2014 | | |
| a) Contract revenue recognised in the period | 2,581.05 | 2,162.33 |
| b) Aggregate Contract costs incurred upto the reporting date. | 2,426.44 | 986.94 |
| c) Aggregate amount of recognised profits upto the reporting date. | 2,879.29 | 1,575.39 |
| d) Amount of advances received from Customer outstanding as on date | 310.44 | 727.09 |
| e) Amount retention (Amount billed less amount received and advance adjusted) | 1,099.6 | 824.48 |

31.2 Disclosure as per AS-11"Accounting for Effects of Changes in Foreign Exchange Rates"

| | 2013-14 | 2012-13 |
|--|--------------------------|--------------------------|
| a) Exchange differences arising out of settlement / translation on account of Export Sales for the year | 1,106.29 | 397.33 |
| b) Exchange differences arising out of settlement / translation on account of previous year; Imports | (1,951.65) | (149.75) |
| c) Exchange differences arising out of settlement / translation on account of Others | (20.63) | (83.23) |
| Net gain/(loss) recognised during the year | (865.99) | 164.35 |
| 31.3 Disclosure as per AS-15 "Employee Benefits"; | | |
| i) Defined Contribution Plan: Contribution to Defined Contribution Plan, recognised as expense for the year are as under: Employer's Contribution to PF/ESI/ Pension plan | 2013-14 728.09 | 2012-13 761.89 |

ii) Defined Benefit Plan:
(a) Gratuity obligation of the Company :

The Company has taken a Group Gratuity Policy of LIC of India to cover the employer's obligation towards Gratuity under the payment of Gratuity Act and the fund required to be maintained to cover the Present Value of past service benefit and current service cost is fully funded/provided for by the Company as per the valuation made under Projected Unit Credit method and demanded by LIC of India. Apart from the said funding, the company also paid the annual risk premium to keep the policy active and recognised it as expense for the year.

Notes to Financial Statements for the year ended March 31, 2014

(₹ in Lakhs)

| Actuarial assumptions for Gratuity: | 2013-14 | 2012-13 |
|---|------------------------------|-----------------------|
| Gratuity ceiling (Rs. in lakhs) | 10.00 | 10.00 |
| Mortality Table (LIC) | 1994-96 (Ultimate) | 1994-96 (Ultimate) |
| Withdrawal rate | 1% to 3% | 1% to 3% |
| Discount rate (per Annum) | 8% | 8% |
| Salary escalation (per Annum) | 4% | 4% |
| Valuation method | PUC | PUC |
| Percentage of funding | 100% | 100% |
| Amount contributed/provided during the year: | | |
| Towards Gratuity Fund | 249.27 | 118.33 |
| Towards Annual Risk Premium | 12.65 | 11.35 |
| Amount charged to Profit & Loss statement | 261.92 | 129.68 |
| Results of Actuarial valuation on liability & funding (as per LIC of India): | | |
| Present value of past service benefit | 1,041.29 | 861.06 |
| Current Service cost | 126.75 | 118.33 |
| | 1,168.04 | 979.39 |
| Fund value at the beginning | 964.72 | 906.63 |
| For current service cost | - | 118.33 |
| Interest credit to the fund | 79.85 | 78.30 |
| Claims settled | (125.81) | (138.54) |
| Fund value at the year end | 918.76 | 964.72 |
| Short fall in fund provided for | 249.27 | - |
| Results of independent Actuarial Valuation report for the year: | | |
| (i) Assets/Liabilities | | |
| Present Value (P.V) of obligation at the year end | 1,168.71 | 934.80 |
| Fair Value (F.V) of plan assets at the year end | 918.76 | 964.72 |
| Funded status | (249.95) | 29.92 |
| (ii) Expense to be recognised in Statement of Profit & Loss : | | |
| Current service cost | (16.94) | (29.39) |
| Actuarial (gain)/loss | 301.87 | 166.52 |
| Interest cost | 74.78 | 69.35 |
| Settlement Cost/ (credit) benefits paid | (125.80) | - |
| | 233.91 | 206.48 |
| (iii) Changes in the Present Value (P.V) of obligation: | | |
| P.V of obligation at the beginning | 934.80 | 866.86 |
| Interest cost | 74.78 | 69.35 |
| Current service cost | (16.94) | (29.39) |
| Actuarial (gain)/loss | 301.87 | 166.52 |
| Benefits paid | (125.81) | (138.54) |
| P.V of obligation at the year end | 1,168.70 | 934.80 |
| (iv) Changes in the Fair Value (F.V) of Plan Assets: | | |
| F.V at the beginning | 964.72 | 906.63 |
| Expected returns | 77.18 | 72.53 |
| Contribution during the year | - | 118.33 |
| Actuarial gain/(loss) | 2.67 | 5.77 |
| Benefits paid during the year | (125.81) | (138.54) |
| F.V at the year end | 918.76 | 964.72 |

Notes to Financial Statements for the year ended March 31, 2014

(₹ in Lakhs)

| | | |
|---|----------------|---------------|
| (v) Actuarial Grains / Losses : | 2013-14 | 2012-13 |
| - on account of obligation | 301.87 | 166.52 |
| - on account of Plan Assets | 2.67 | 5.77 |
| Gains/losses recognised | 304.54 | 172.29 |
| Unrecognised gain / loss | NIL | NIL |
| (vi) Fair Value (F.V) of Plan Assets: | | |
| F.V at the beginning | 964.72 | 906.63 |
| Actual return on Plan Assets | 79.85 | 78.3 |
| Contributions | - | 118.33 |
| Claims settled | (125.81) | (138.54) |
| F.V at the year end | 918.76 | 964.72 |
| P.V of obligation at the year end | 1168.70 | 934.80 |
| Fund status | (249.95) | 29.92 |
| | 918.76 | 964.72 |
| (b) Long Term Compensated Absences: | | |
| The present value of obligation for long term compensated absences is determined on Actuarial valuation using Project Unit Credit method (PUC) and is charged to profit & loss account. The obligation is not funded. | | |
| Provision held at the beginning of the year | 164.15 | 170.06 |
| Expense recognised during the year | 95.89 | 46.35 |
| Claims paid (encashed during the year) | (42.56) | (52.26) |
| Provision required and held at the year end | 217.48 | 164.15 |
| I. Changes in present value of obligations (P.V.O) | | |
| PVO at beginning value of period | 164.15 | 170.06 |
| Interest cost | 13.01 | 13.47 |
| Current Service Cost | 3.01 | (9.33) |
| Claims paid (encashed during the year) | (42.56) | (52.26) |
| Actuarial (gain)/loss on obligation | 79.87 | 42.21 |
| PVO at end period | 217.48 | 164.15 |
| II. Changes in Fair Value of Plan Assets and Fair Value of Plan Assets : Not applicable as the obligations are not funded | | |
| III. Actuarial Gain/(Loss) recognized | | |
| Actuarial (Gain)/Loss for the period recognised | 79.87 | 42.21 |
| Unrecognised Gain/(Loss) | NIL | NIL |
| | 79.87 | 42.21 |
| IV. Amounts to be recognized in the Balance sheet | | |
| Present Value of Obligation at the year end | 217.48 | 164.15 |
| Net Asset/(Liability) recognized in the balance sheet | (217.48) | (164.15) |
| Net Asset/(Liability) unrecognized | - | - |
| V. Expense recognized in the statement of P&L a/c. | | |
| Current Service Cost | 3.01 | (9.33) |
| Interest cost | 13.01 | 13.47 |
| Net Actuarial (Gain)/Loss recognized for the period | 79.87 | 42.21 |
| Less: Benefits paid | (42.56) | (52.26) |
| Expense recognized in the statement of P & L | 53.33 | (5.91) |
| VI. Movements in the Liability recognized in Balance Sheet | | |
| Opening Net Liability | 164.15 | 170.06 |
| Add : Expense as above | 95.89 | 46.35 |
| Less : Benefits Paid | (42.56) | (52.26) |
| Closing Net Liability | 217.48 | 164.15 |

| 31.4 Disclosure as per AS-17 "Segment Reporting"; | | 2013-14 | | 2012-13 | |
|---|--|------------------|--------------------|----------------|-------------|
| Segment Revenue | | | | | |
| Batteries | | | | | |
| Exports | | 21,954.56 | | 22,986.96 | |
| Domestic sales | | 86,265.53 | 1,08,220.09 | 79,454.98 | 1,02,441.94 |
| Electronics | | | | | |
| Exports | | 3,098.50 | | 0.00 | |
| Domestic sales | | 8,301.80 | 11,400.30 | 0.00 | 0.00 |
| Unallocated | | | | | |
| Exports | | 108.79 | | 2,976.28 | |
| Domestic sales | | 10,825.52 | 10,934.31 | 15,840.97 | 18,817.25 |
| Total | | | 1,30,554.70 | | 1,21,259.19 |
| Less : Inter-segment Revenue | | | 2,475.35 | | 1,517.50 |
| Net Revenue | | | 1,28,079.35 | | 1,19,741.69 |
| Segment Result | | | | | |
| Batteries | | | 9,012.61 | | 13,917.74 |
| Electronics | | | 2,210.07 | | 0.00 |
| Unallocated | | | 4,114.00 | | 1,209.66 |
| Total | | | 15,336.68 | | 15,127.40 |
| Less : Interest | | | 7,573.87 | | 9,339.84 |
| Unallocable expenditure net of unallocable income | | | 2,552.36 | | 3,254.29 |
| Net Profit before taxes | | | 5,210.45 | | 2,533.27 |
| Segment Assets | | | | | |
| Batteries | | | 1,19,279.40 | | 1,13,776.30 |
| Electronics | | | 2,3965.26 | | 0.00 |
| Unallocated | | | 3,3570.19 | | 54,258.41 |
| Total Assets | | | 1,76,814.85 | | 1,68,034.71 |
| Segment Liabilities | | | | | |
| Batteries | | | 21,806.88 | | 23,705.17 |
| Electronics | | | 14,795.90 | | 0.00 |
| Unallocated (includes Term Loans,Bank Loans, Hire Purchase Loans) | | | 81,696.40 | | 89,722.93 |
| Total Liabilities | | | 1,18,299.18 | | 1,13,428.10 |
| Segment Capital expenditure during the year | | | | | |
| Batteries | | | 819.47 | | 1,884.00 |
| Electronics | | | 467.28 | | 0.00 |
| Unallocated | | | 653.35 | | 1,014.00 |
| Total | | | 1,940.10 | | 2,898.00 |
| Segment Depreciation | | | | | |
| Batteries | | | 3,013.19 | | 3,264.48 |
| Electronics | | | 202.22 | | 0.00 |
| Unallocated | | | 635.54 | | 744.03 |
| Total | | | 3,850.95 | | 4,008.51 |

Notes:

- The company's operations include Batteries of different types, Electronics, Railway Signalling contracts etc. Except for Batteries, the segment revenue, the segments results and the segments assets and liabilities of other activities are individually below the threshold limit of 10% as provided in AS-17 "Segment Reporting". Accordingly, Batteries segment is shown separately as reportable segment and others are included in Unallocated segments.
- Batteries segment comprises of various types of batteries for defence , aviation , telecom and industrial application
- Inter segment revenue is measured at the market prices at which the products are sold to external Customers.

Notes to Financial Statements for the year ended March 31, 2014

31.5 Disclosure as per AS-18 "Related Party Disclosure";

| | | |
|---|--|---|
| 1 | Holding Company | Beaver Engineering & Holdings Pvt Ltd, Hyderabad |
| 2 | Subsidiaries | Agile Electric Sub Assembly (P) Ltd SCIL Infracon Pvt Ltd HBL Germany, GMBH HBL America |
| 3 | Joint Venture | Gulf Batteries Company Ltd, Kingdom of Saudi Arabia |
| 4 | Controlled Companies | Kairos Engineering Limited, Hyderabad |
| 5 | Associate | Naval Systems & Technologies Pvt Ltd Guided Missile Engineering India Pvt Ltd VARP Power Pvt Ltd |
| 6 | Companies which Directors are Interested | Sankhya Infotech Ltd |
| 7 | Key Management Personnel | Dr A J Prasad Chairman & Managing Director M S S Srinath Whole Time Director Kavita Prasad Whole Time Director Ashok Nagarkatti |

Disclosure of transactions between the Company and Related parties and the status of outstanding balances as on 31st March, 2014

| Sl. No | Name | Nature of Transaction | During the year Debit / (Credit) | As on 31-03-2014 | | |
|--------|------------------------------|---|--|------------------|--------------------|------------------|
| | | | | Investments | Amount Receivable | Amount Payable |
| 1 | Holding Company | Funds Borrowed Corporate Loans received Corporate Loans repaid Interest Paid Sale of Goods Purchase of Goods | 245.00 13,800.00 12,000.00 13.85 231.68 0.24 | | | 14,050.20 |
| 2 | Subsidiaries | Investment in Shares Sale of Investments Loans repaid Service Rendered Interest Received Rent Received Sale of Goods Services Received Purchase of Goods Commission Paid | 0.00 17,506.14 93.95 17.65 56.63 5.40 11,107.01 237.43 19.69 0.00 | 1,505.57 | 628.77 6,865.22 | 66.98 |
| 3 | Joint Venture | Investment in Shares Services Received Sale of Goods | 0.00 678.97 | 1,424.51 | 955.89 | |
| 4 | Controlled Companies | Investment in Shares Service Rendered Services Received | 6.52 | 9.00 | 3.37 34.78 | |
| 5 | Associate Companies | Investment in Shares Sale of Goods | 11.96 | 4.36 | | |
| 6 | Companies in which Directors | Investment in Shares Sale of Investments Services Received | 148.35 | | 2.90 | |
| 7 | Key Management Personnel | Funds Borrowed Funds repaid Sale of Goods Remuneration Rent Interest Paid | 321.00 276.00 1.90 107.75 5.80 37.04 | | | 323.18 171.52 |

Notes to Financial Statements for the year ended March 31, 2014

(₹ in Lakhs)

| 31.6 Disclosure as per AS-19 "Leases"; | 2013-14 | 2012-13 |
|--|---------|---------|
| Finance Leases | | |
| Amount of Finance Lease | 77.71 | 86.48 |
| Less : Lease amount repaid during the period | 14.52 | 8.77 |
| Amount outstanding at the end of the period | 63.19 | 77.71 |
| Amount payable not Later than one year | 16.37 | 14.51 |
| Amount payable later than one year and not later than five years | 46.82 | 63.20 |

31.7 Disclosure as per AS-20 "Earnings per share"; Face value of share : Re. 1/- each Computation of EPS (Basic & Diluted)

| | 31 March 2014 | 31 March 2013 |
|-------------------------|---------------|---------------|
| Profit After Tax (Rs.) | 4,501.05 | 2,044.42 |
| No. of Shares (Basic) | 25,30,00,000 | 25,30,00,000 |
| No. of Shares (Diluted) | 25,30,00,000 | 25,30,00,000 |
| EPS (Basic) | 1.78 | 0.81 |
| EPS (Diluted) | 1.78 | 0.81 |

31.8 Disclosure as per AS-22 "Accounting for Taxes on Income";

Major components of deferred tax assets and liabilities arising on account of timing differences are:

| Deferred Tax | Current Year | | Previous Year | |
|--------------------|--------------|-------------|---------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| 1 Depreciation | | 2,840.99 | | 2,484.21 |
| 2 Warranties | 225.64 | | 179.53 | |
| 3 Leave Encashment | 73.92 | | 53.26 | |
| 4 Gratuity | 84.73 | | - | |
| Total | 384.29 | 2,840.99 | 232.79 | 2,484.21 |

31.9 Disclosure as per AS-27 "Financial Reporting of Interests in Joint Ventures":

| S. No. | Name of the venture | Country of Incorporation | Percentage of ownership interest as on 31.03.2013 | Percentage of ownership interest as on 31.03.2012 |
|--------|----------------------------|--------------------------|---|---|
| 1 | Gulf Batteries Company Ltd | Kingdom of Saudi Arabia | 40 | 40 |

- The Company's interest in the above company is reported under the head Investment (Note-14) and stated at Cost.
- Pending receipt of Audited/Unaudited financial statements of JV company for the year ending 31-03-2014, the disclosure of the company's share of the Assets, Liabilities, Income and Expenditure is not made as required under AS-27

31.10 Disclosure as per AS-29 "Provisions, Contingent Liabilities, Contingent Assets"; Provision for Warranty:

| | 31 March 2014 | | 31 March 2013 | |
|--|---------------|--------|---------------|--------|
| Provision at the beginning of the year | | 553.37 | | 505.73 |
| Provision required for the year | 509.92 | | 438.12 | |
| Provision reversed from the opening Balance(after warranty period) | 399.45 | | 390.48 | |
| Charge for the year | | 110.47 | | 47.64 |
| Carrying amount | | 663.84 | | 553.37 |

It is expected that these costs will be incurred in the next 12 to 24 months. Actual expenditure incurred during warranty period towards replacements etc. is charged off under respective heads of expenditure.

Notes to Financial Statements for the year ended March 31, 2014**Note : 32 Value of Imports on CIF**

(₹ in Lakhs)

| | 2013-14 | 2012-13 |
|------------------------------------|------------------|-----------|
| Raw Materials, Components & Spares | 37,750.41 | 31,988.43 |
| Capital Items / Equipment | 65.94 | 523.76 |
| | 37,816.35 | 32,512.19 |

Note : 33 Expenditure in Foreign Currency

| | | |
|----------------------------------|---------------|--------|
| Travelling Expenses | 72.17 | 92.37 |
| Professional Charges | 61.29 | 76.66 |
| Commission | 44.26 | 202.64 |
| Royalty | 54.51 | 56.73 |
| Marketing Expenses | 270.84 | 43.88 |
| Investment in Subsidiary Company | - | 28.11 |
| Others | 302.69 | 32.21 |
| | 805.76 | 532.60 |

Note : 34 Income in Foreign Currency

| | | |
|-------------------------------------|------------------|-----------|
| Export Sales (FOB Value of Exports) | 25,129.48 | 25,963.24 |
| Services | 449.99 | 944.71 |
| | 25,579.47 | 26,907.95 |

Note : 35

Various measures are ongoing to improve the performance of M/s.Gulf Batteries Company, M/s.SCIL Infracore Pvt Ltd and M/s.HBL Suntech LLP which would yield positive results in next two years. In view of these steps, management is of the view that no provision is warranted for (a) diminution in value of investment or (b) dues as they are considered good and recoverable.

Note : 36

Previous years figures have been regrouped wherever necessary.

As per our Report of even date

for M/s Satyanarayana & Co.

Chartered Accountants

FRN No. 03680 S

for M/s Rao & Kumar

Chartered Accountants

FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao

Partner

M.No: 18523

S S Bharadwaj

Partner

M.No: 26113

Dr A J Prasad

Chairman & Managing Director

M Kavita Prasad

Director

Place : Hyderabad

Date : 26th May 2014

Place : Hyderabad

Date : 26th May 2014

Place : Hyderabad

Date : 26th May 2014

M V S S Kumar

Company Secretary

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of HBL Power Systems Limited

We have audited the accompanying Consolidated Financial Statements (CFS) of HBL Power Systems Limited ("the Company") and its subsidiaries and its jointly controlled entities here in after referred to as the "Group" (Refer Note 37.1), which comprise the consolidated Balance Sheet as at March 31, 2014, the consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements, that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit, to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- 1) *As per paragraph 26 of AS 21 on Consolidated Financial Statements, the excess and further losses attributable to Minority are to be adjusted against the Majority Interest except to the extent that the Minority has binding obligation and is able to make good the losses. Pending any Contribution from the Minority Partner, we are unable to comment on the treatment accorded (refer note 4.1) in the financial statements.*
- 2) *Reference is invited to Note No. 37.3, regarding non-provision of depreciation to the tune of Rs. 138.22 lakhs in variance to the prescription laid down by the Accounting Standard AS-6 on Depreciation Accounting resulting in overstatement of Profit before tax for the year with a corresponding overstatement of Reserves and Fixed Assets as at 31-3-2014.*

Opinion

We report that CFS have been prepared by the Company's Management in accordance with the requirements of Accounting Standard – AS 21 'Consolidated Financial Statements', Accounting Standard – AS 23 'Accounting for Investments in Associates' in CFS and Accounting Standard – AS 27 'Financial Reporting of Interest in Joint Ventures'

as notified under the Companies (Accounting Standard) Rules, 2006 read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion paragraph* and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matters

- a) We draw attention to Note 37.2(g): In respect of the Joint Venture Company, the audited financial statements along with the auditor's report on such statements as at 31.12.13 have been made available to us. Based on such audited statements, the Joint Venture Company has prepared and submitted an un-audited financial statements as at 31.03.14 and the same has been relied upon by us for inclusion in the CFS as prescribed by AS -27 (Group Share of Net Assets ₹ 517.87 lakhs and Negative Reserves of ₹ 906.66 lakhs including Loss of ₹ 70.83 for the year).
- b) We draw attention to Note 29.1.1(d) to the financial statements which describe the uncertainty related to the outcome of the lawsuit filed against the Company and its subsidiary SCIL Infra Con (P) Ltd.

Our opinion is not qualified in respect of any of the afore-stated matters.

Other Matter

We did not audit the financial statements and other financial information, as at 31-03-2014, of certain subsidiaries and Joint Venture Company (Reference is invited to Note. 37.2). These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and Joint Venture, is based solely on the reports of those other auditors. (Reference is invited to annexure to Note 37.5 regarding details of Assets, Liabilities, Reserves as at 31-03-2014 and income for the year ended 31-03-2014 of the Subsidiaries to which necessary adjustments as required under AS-21 have been made to reflect the Group's share of total assets as at 31-03-2014 and the Group Share of total revenues for the year ended on that date). Our opinion is not qualified in respect of this matter.

For M/s. Satyanarayana & Co.
Chartered Accountants
Firm's Registration Number 036805

Ch. Seshagiri Rao
Partner
M.No. 18523

For M/s. Rao & Kumar
Chartered Accountants
Firm's Registration Number 030895

S.S.Bharadwaj
Partner
M.No. 26113

Place : Hyderabad
Date : 14th November 2014

Consolidated Balance Sheet as at March 31, 2014

₹ in Lakhs

| Particulars | Note | As at March 31, 2014 | | As at March 31, 2013 | |
|--|---------|-------------------------|-------------|-------------------------|-------------|
| I) EQUITY AND LIABILITIES | | | | | |
| A Share Holders' Funds | | | | | |
| Share Capital | 2 | 2,530.00 | | 2,530.00 | |
| Reserves and Surplus | 3 | 53,647.95 | 56,177.95 | 51,875.30 | 54,405.30 |
| B Minority Interest | 4 | | (129.23) | | 9,798.99 |
| C Non Current Liabilities | | | | | |
| Long Term Borrowings | 5 | 22,703.16 | | 41,694.65 | |
| Deferred Tax Liabilities | 6 | 2,597.85 | | 4,492.24 | |
| Long-term Provisions | 7 | 213.91 | 25,514.92 | 158.72 | 46,345.61 |
| D Current Liabilities | | | | | |
| Short Term Borrowings | 8 | 43,241.82 | | 46,230.50 | |
| Trade Payables | 9 | 29,503.35 | | 28,176.86 | |
| Other Current Liabilities | 10 | 19,332.46 | | 25,921.29 | |
| Short Term Provisions | 7 | 1,897.83 | 93,975.44 | 1,411.04 | 1,01,739.70 |
| Total | | | 1,75,539.08 | | 2,12,289.61 |
| II ASSETS | | | | | |
| A Non Current Assets | | | | | |
| Fixed Assets | | | | | |
| Tangible Assets | 11 | 47,110.38 | | 73,853.51 | |
| Intangible Assets | 12 | 2,437.41 | | 10,859.26 | |
| Capital Works in Progress | 13 | 2,116.87 | | 3,025.24 | |
| Intangible Assets under development | 14 | 3,497.13 | 55,161.79 | 4,160.54 | 91,898.55 |
| Non Current Investments | 15 | 148.88 | | 2,964.13 | |
| Long Term Loans and Advances | 16 | 1,273.28 | | 1,631.72 | |
| Other Non Current Assets | | 1,439.28 | 2,861.44 | 1,260.79 | 5,856.64 |
| B Current Assets | | | | | |
| Inventories | 17 | 60,845.67 | | 49,973.96 | |
| Trade Receivables | 18 | 43,649.66 | | 53,322.00 | |
| Cash and Cash equivalents | 19 | 5,243.19 | | 4,018.48 | |
| Short Term Loans and Advances | 16 | 7,777.34 | 1,17,515.85 | 7,219.97 | 1,14,534.41 |
| Total | | | 1,75,539.08 | | 2,12,289.61 |
| Significant Accounting Policies | 1 | | | | |
| Notes forming part of Financial Statements | 2 to 41 | | | | |

As per our Report of even date annexed

for M/s Satyanarayana & Co. **for M/s Rao & Kumar**

Chartered Accountants

FRN No. 03680 S

Chartered Accountants

FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao

Partner

M.No: 18523

S S Bharadwaj

Partner

M.No: 26113

Dr A J Prasad

Chairman & Managing Director

M S S Srinath

Director

Place : Hyderabad

Date : 14th November 2014

Place : Hyderabad

Date : 14th November 2014

Place : Hyderabad

Date : 14th November 2014

M V S S Kumar

Company Secretary

Consolidated Statement of Profit & Loss for the year ended March 31, 2014

₹ in Lakhs

| Particulars | Note | Year Ended March 31, 2014 | | Year Ended March 31, 2013 | |
|--|-----------|------------------------------|--------------------|------------------------------|-------------|
| A Revenue | | | | | |
| Revenue from Operations | 20 | | 1,40,028.43 | | 1,79,482.68 |
| Less : Duties | | | 9,279.15 | | 8,449.92 |
| Revenue from Operations (Net) | | | 1,30,749.28 | | 1,71,032.76 |
| Other Income | 21 | | 970.35 | | 787.21 |
| Total Revenue (A) | | | 1,31,719.63 | | 1,71,819.97 |
| B Expenses | | | | | |
| Cost of Material Consumed | 22 | | 83,332.71 | | 1,00,947.77 |
| Purchase of Traded goods | | | 282.99 | | 3,553.52 |
| (Increase) / Decrease in Inventory | 23 | | (3,507.79) | | (7,465.87) |
| Employee Benefits Expense | 24 | | 13,579.45 | | 16,778.22 |
| Finance Cost | 25 | | 7,588.59 | | 12,615.93 |
| Depreciation Amortisation and Obsolescence Expense | 26 | | 3,946.68 | | 6,356.08 |
| Other Expenses | 27 | | 27,530.08 | | 34,276.28 |
| Total Expenses (B) | | | 1,32,752.71 | | 1,67,061.93 |
| C Profit/(loss) before Exceptional and Extra-ordinary items and Tax (A-B) | | | (1,033.08) | | 4,758.05 |
| D Exceptional Items - (Income)/Expense | 28 | | (5,639.38) | | (778.56) |
| E Profit/(loss) before tax (C-D) | | | 4,606.30 | | 5,536.61 |
| F Tax Expense | | | | | |
| - Current Tax | | 1,122.03 | | 1,357.01 | |
| - Less : MAT Credit Entitlement | | (685.87) | 436.16 | (378.00) | 979.01 |
| - Deferred Tax Changes/(Credit) | | | 242.95 | | 772.48 |
| - Income Tax & Wealth Tax relating to Previous Years | | | 79.81 | | 57.90 |
| G Profit after tax before share of results of Minority Interest (E-F) | | | 3847.38 | | 3727.21 |
| H Minority Interest - C/Y share of (Profit)/Loss | | | (90.66) | | 1422.75 |
| I Share of Net (Profits)/Losses of Associates | | | (24.94) | | (39.20) |
| J Profit for the period (G-H+I) | | | 3,962.98 | | 2,343.66 |
| k Earnings per Equity Share | 35 | | | | |
| - Basic | | | 1.57 | | 0.93 |
| - Diluted | | | 1.57 | | 0.93 |
| Significant Accounting Policies | 1 | | | | |
| Notes forming part of Financial Statements | 2 to 41 | | | | |

As per our Report of even date

for M/s Satyanarayana & Co.
Chartered Accountants
FRN No. 03680 S

for M/s Rao & Kumar
Chartered Accountants
FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao
Partner
M.No: 18523

S S Bharadwaj
Partner
M.No: 26113

Dr A J Prasad
Chairman & Managing Director

M S S Srinath
Director

Place : Hyderabad
Date : 14th November 2014

Place : Hyderabad
Date : 14th November 2014

Place : Hyderabad
Date : 14th November 2014

M V S S Kumar
Company Secretary

Cash Flow Statement (As per Clause 32 of the Stock Exchange Listing Agreement)

₹ in Lakhs

| | 31-Mar-2014 | | 31-Mar-2013 | |
|---|-------------|-------------|-------------|-------------|
| A CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before Tax but after Minority Interest / Associates Profit | | 4,721.89 | | 4,153.05 |
| Less : Exceptional Items * | | (5,639.38) | | 636.25 |
| Operating Profit/(Loss) before adjustments | | (917.49) | | 3,516.80 |
| Adjustments for: | | | | |
| Depreciation | 3,562.57 | | 5,781.69 | |
| Amortisation of Intangible Assets | 421.00 | | 539.38 | |
| Deposits Written off | 43.64 | | 13.34 | |
| Debit Balances written off | 135.83 | | 16.03 | |
| Interest Income | (559.09) | | (347.57) | |
| Interest Expense | 2,672.21 | | 5,933.32 | |
| Exchange Variation | (232.25) | | (12.50) | |
| Provisions | 335.85 | 6,379.76 | 25.30 | 11,948.99 |
| Operating Profit before working capital changes | | 5,462.27 | | 15,465.79 |
| (Increase)/Decrease in Sundry debtors | (2,224.10) | | (2,014.14) | |
| (Increase)/Decrease in Inventories | (16,141.33) | | (15,701.60) | |
| (Increase) / Decrease in Loans & advances ** | (2,478.86) | | 3,096.94 | |
| Increase/(Decrease) in Current Liabilities | 12,305.84 | (8,538.45) | 3,154.53 | (11,464.27) |
| Cash generated from Operations | | (3,076.18) | | 4,001.52 |
| Income taxes paid | | (509.34) | | (532.71) |
| Net Cashflow from Operating activities (A) | | (3,585.52) | | 3,468.81 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of fixed assets | (1,740.49) | | (6,654.20) | |
| Disposal of Subsidiary | 17,506.16 | | - | |
| Sale of Investments (Net) | 123.15 | | 261.14 | |
| Sale of fixed assets | 404.60 | | 1,075.31 | |
| Net outflow on account of minority interest | (90.66) | | 1,448.19 | |
| Interest Received | 559.09 | | 347.57 | |
| Net Cash flow from investing activities (B) | | 16,761.85 | | (3,521.99) |
| C CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Employee Stock Option Scheme | - | | (1.71) | |
| Share Premium | - | | (135.60) | |
| Reserves on account of acquisition | - | | (37.89) | |
| Proceeds from long-term borrowings | 144.08 | | 6,999.38 | |
| Repayment of long-term borrowings | (17,675.58) | | (15,174.54) | |
| Proceeds from working capital borrowings | 7,355.18 | | 2,635.42 | |
| Increase(+)/Decrease(-) in unsecured loans | 1,800.00 | | 12,239.22 | |
| Dividend payment | (441.06) | | (441.06) | |
| Interest Paid | (2,672.21) | | (5,933.32) | |
| Net cash flow used in financing activities (C) | | (11,489.59) | | 149.90 |
| NET INCREASE IN CASH and CASH EQUIVALENTS (A+B+C) | | 1,686.74 | | 96.72 |
| Cash and Cash equiv.at beginning of the period | | 1,608.27 | | 1,511.55 |
| Cash and Cash Equivalentes on Disposal of Subsidiary | | (1,141.11) | | - |
| Cash and Cash equiv. at end of the period | | 2,153.90 | | 1,608.27 |
| Cash and Cash equivalents (Rs.Lakhs) | | | | |
| Cash on hand | | 19.37 | | 342.38 |
| Balances with Banks(current a/c & term deposits) | | 2,134.53 | | 1,265.89 |
| Total | | 2,153.90 | | 1,608.27 |

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31-03-2014

| | | | |
|---|---|----------|--------|
| 1 | This statement is prepared as per Accounting Standard-3 (indirect method) | | |
| 2 | * The exceptional items represent Profit/(Loss) on sale/disposal of Assets and Investments and are grouped under respective heads in the above Cash Flow Statement, the details of which are as under : | | |
| | Profit/(Loss) on sale/disposal of Assets | 71.19 | 496.25 |
| | Profit/(Loss) on sale/disposal of Investments | (573.45) | 140.00 |
| | Profit on disinvestment of Subsidiary | 6,218.09 | - |
| | Loss due to Fire Accident | (76.45) | - |
| | | 5,639.38 | 636.25 |
| 3 | ** Including Bank Balances Other than Cash and Cash Equivalents | | |
| 4 | Previous year's figures were re-grouped wherever necessary. | | |

As per our Report of even date

for M/s Satyanarayana & Co.
Chartered Accountants
FRN No. 03680 S

for M/s Rao & Kumar
Chartered Accountants
FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao
Partner
M.No: 18523

S S Bharadwaj
Partner
M.No: 26113

Dr A J Prasad
Chairman & Managing Director

M S S Srinath
Director

Place : Hyderabad
Date : 14th November 2014

Place : Hyderabad
Date : 14th November 2014

Place : Hyderabad
Date : 14th November 2014

M V S S Kumar
Company Secretary

Notes Forming Part of Consolidated Balance Sheet**Note: 1 Significant Accounting Policies adopted for Preparation and Presentation of Consolidated Balance Sheet (CFS)****A Basis for preparation of financial statements:**

- a) The financial statements of the Parent Company, Subsidiaries, Joint Venture Companies, Associate Companies in India are prepared based on the accounts maintained under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) with revenues recognized and expenses accounted on accrual basis, including committed obligations and also in accordance with the Provisions of the Companies Act, 1956 and Accounting Standards specified in the Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government. The financial statements of Foreign Subsidiaries and Joint Venture Companies are prepared based on the accounts maintained as per Local Laws of the respective Countries. Such financial statements are considered for preparation and presentation of the CFS.
- b) The preparation of financial statements requires that the management of the company makes estimates and assumptions that affect the reported amount of income and expenses for the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include useful lives of tangible and intangible assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans, provision for warranties etc. Differences, if any, between the actual results and estimates is recognized in the period in which the results are known.

B. Principles of consolidation:

- a) As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Parent's separate financial statements.
- b) The financial statements of the Parent Company and its Subsidiaries are consolidated following Accounting Standard (AS-21), substantially on a line by line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions and unrealized profits / losses on intra group transactions and are presented to the extent possible, in the same manner as the Company's independent financial statements. Where details of line by line items are not readily available, such items have been grouped under major heads of respective items.
- c) In respect of Investment in Joint Venture Companies, the Company's interest in the assets, liabilities, income, expenses and other obligations is included using proportionate consolidation method as per Accounting Standard (AS) -27.
- d) Investments in Associate Companies are accounted for, by using "equity method" (as per Accounting Standard (AS) - 23) whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post acquisition changes in the Company's share of net assets of the associate.

C Tangible Assets and Depreciation:

- a) Tangible Assets are stated at original cost, net of recoverable taxes and duties, less cumulative depreciation and impairment. Administrative and other general overheads including borrowing costs that are specifically attributable to acquisition of Assets or bringing Fixed Assets into their working condition are allocated / apportioned and capitalised as part of cost of the Asset. Premium paid for acquiring Leasehold Lands along with directly related expenditure is considered as tangible asset.
- b) Depreciation on Tangible Assets including those on leasehold premises is provided under straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in respect of Dies and Moulds used and 'Secured Land Filling' (used for disposal of Lead slag) which are depreciated at 20% and 10% respectively on Straight Line Method. Assets costing less than Rs.5,000/- are fully depreciated in the year of purchase. Cost of acquisition of Leasehold Land is amortised over the lease period.
- c) Depreciation on Tangible Assets of Subsidiaries in USA, Germany and Joint Venture in Kingdom of Saudi Arabia (KSA) is accounted on straight line basis over their expected / estimated useful lives.

Notes Forming Part of Consolidated Balance Sheet**D Intangible Assets and Amortisation:**

- a) Intangible Asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Expenditure incurred for creating infrastructure facilities where the ownership does not rest with the company and where the benefits from it accrue over a future period is also considered as Intangible Asset.
- b) New product development expenditure, software licences, technical knowhow fee, infrastructure and logistic facilities, Trademarks, etc. are recognised as Intangible Assets upon completion of development and commencement of commercial production. Goodwill paid purchase of Business (in HBL Suntech LLP) and Goodwill representing the difference between the Group's share in the net worth of a subsidiaries and the cost of acquisition at each point of time of making the investments in the subsidiaries is also considered as Intangible Asset.
- c) Expenditure on New Product Development, Power Facility, Trademarks, ERP Package capitalised under 'Intangible Assets' is amortised over a period of 60 months from the month of commencement of commercial production/utilisation of facility. Goodwill paid for purchase of business is amortised over a period of 60 months. Technical know fee paid for Electronic Products is amortised over a period of 60 months from commercial production. Technical know fee paid for Other Products is amortised over a period of 10 years from commercial production.

- d) Goodwill at the time acquisition of Subsidiaries.

Goodwill represents the difference between the Group's share in the net worth of a subsidiary or an associate and the cost of acquisition at each point of time of making the investment in the subsidiary or the associate. For this purpose, the Group's share of net worth is determined on the basis of latest financial statements prior to the acquisition after making necessary adjustments for material events, if any between the date of such financial statements and the date of respective acquisition. Capital reserve on consolidation represents negative goodwill arising on acquisition.

- e) Amortisation on impaired intangible assets is adjusted in the future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.
- f) Impairment of Assets:

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is recognised when an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there is a change in the estimate of recoverable amount.

E Assets taken under leases:

- a) In respect of Equipment taken under finance leases, the fair value of the leased asset is recognised as an asset and corresponding liability is created. The finance charges are allocated to periods during the lease term and charged to revenue.
- b) In respect of Equipment taken under operating lease, lease payments are recognised as expenses on straight line basis over the lease term.

F Capital Work in Progress (CWIP):

- a) Tangible CWIP includes Plant and Equipment under erection, Civil works in progress and preoperative expenses pending allocation to the related assets.
- b) Intangible Assets Under Development includes
 - 1 New Product Expenditure where development is in progress
 - 2 Payments made towards fees for software licences, technical knowhow, Infrastructure/logistic facilities etc., and also includes all related expenditure incurred upto absorption of technology and completion of Development.

G Foreign Currency Transaction / Translations:

- a) Transactions relating to Purchase and Sale of goods/services denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction or that approximates at actual rate on the date of

Notes Forming Part of Consolidated Balance Sheet

transaction. Assets & Liabilities in the nature of monetary items at the Balance sheet date denominated in foreign currencies are translated and restated at prevailing exchange rates. Income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit & Loss account.

- b) The accounts of foreign subsidiaries and joint venture companies which are reported in respective of currencies in which they are situated are translated using 'Translation of the Financial Statements of Foreign Operations' as prescribed under Accounting Standard (AS) – 11. The translation differences is reported as "Exchange Variation Reserve".

H Investments:

- a) Investments in associate companies are accounted using 'equity method' prescribed in Accounting Standard (AS) – 23.
- b) Investments other than in associate companies are accounted as per the method prescribed in Accounting Standard (AS) – 13.

I Income Recognition:

- a) Sales revenue is recognised on despatch to customers as per terms of order. Gross sales are net of returns/discounts and inclusive of Excise duty, Service income, works contract revenue are recognised on the basis of bills submitted as per the terms of order. Inter divisional transfers are not recognised as turnover.
- b) Short Term contracts involving Supply and Service where price breakup is available, Revenue in respect of Supplies are recognised when goods are delivered to customers unconditionally and Service income is recognised on completion of Service and bills submitted as per terms of the order.
- c) In case of contracts (Long Term) of complex equipment/systems/development order where the normal cycle time for completion is spreading over two or more accounting periods, revenue is recognised, subject to provision of anticipated losses, based on percentage completion as certified by technical committee/customers acceptance wherever applicable.
- d) Dividends are recognised as income when the right to receive the dividend is established.
- e) Income from interest bearing deposits with Banks and others is recognised on accrual basis.
- f) Interest on Income tax refunds, if any, is recognised on determination or on receipt basis whichever is earlier.
- g) Subsidies from Government are recognised when received.

J Inventories:

Inventories at the yearend are valued as under:

| | |
|--|---|
| Raw Materials, Components, Consumables and Stores & Spares. | At lower of weighted average cost and net realisable value. |
| Work In Progress and Finished goods. | At lower weighted average cost of materials plus cost of conversion and other costs incurred in bringing them to the present location and condition and net realisable value. |
| Long Term contract work in progress (where the income its not eligible for recognition as per Income recognition policy stated above). | At direct and attributable costs incurred in relation to such contracts. |
| Stock In Trade | At lower of cost and net realisable value |
| Consumable Tools | At cost less amount charged off (which is at 1/3rd of value each year). |

* Cost of Material is net of Cenvat/VAT availed on all items.

* Excise/Custom Duty payable on Stock of Finished Goods and Bonded Stocks is provided and included in the value of stocks.

* Stocks at Branches are inclusive of Duty paid at the time of dispatch from Factories.

* Inventory arising out of inter divisional transfers is valued at cost to the transferring division after eliminating unrealised profit, if any.

Notes Forming Part of Consolidated Balance Sheet

K Employee Benefits:

a) Short term Benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, medical, leave travel assistance, short term compensated absences etc. and the cost of bonus, exgratia are recognised in the period in which the employee renders the related services.

b) Post-employment benefits:

Detailed contribution plans:

The contribution paid/payable under Provident Fund Scheme, ESI Scheme and Employee Pension Scheme is recognised as expenditure during the period in which the employee renders the related service.

Defined benefit plans:

The Company's obligation towards Gratuity is a definite benefit plant. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit method. The obligation is measured at the present value of the estimated future cash flows. Actuarial gains and losses are recognised immediately in the profit and loss account. The contribution made is recognised as expenses.

c) Long Term employee benefits:

The obligation for long term employee benefits such as long term compensated absences is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b)(ii) above.

L Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event
- b) a probable outflow of resources is expected to settle the obligation and
- c) the amount of obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is not provided but disclosed in the case of

- a) present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance sheet date.

M Taxes on Income/Deferred Tax:

Tax on Income for the current period is determined and provided on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax resulting from timing differences between accounting Income and taxable Income is recognised and accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date.

The Deferred tax Asset is recognised and carried forward only to the extent that there is reasonable certainty that the Asset will be realised in future.

N Segment accounting :

a) Segment accounting policies:

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment.

Notes Forming Part of Consolidated Balance Sheet

Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenue.

Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenses which relate to the group as a whole and not allocable to segments are included under 'unallocable corporate expenditure'.

Income which relates to the Group as a whole and not allocable to segments is included under 'Unallocable Corporate Income'.

Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Group as a whole and not allocable to any segment.

b) Inter-segment transfer pricing:

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are determined to yield a desired margin.

O Cash Flow statement:

Cash Flow statement is reported using indirect method as per Accounting Standard, AS-(3).

P Prior period and Extra-ordinary items/Exceptional items:

Prior period items of Income and Expenditure are reported distinctly.

Items of Income/ Expenses/Losses which are exceptional and non recurring are considered Exceptional/Extraordinary items and reported distinctively for determination of net profit/loss for the period.

Note : 2

Share Capital

₹ in lakhs

| | 31 March 2014 | 31 March 2013 |
|---|-----------------|---------------|
| Authorised | | |
| 30,00,00,000 Equity shares of ₹1 each (Previous Year 30,00,00,000 Equity shares of ₹ 1 each) | 3,000.00 | 3,000.00 |
| Issued , Subscribed and fully paid-up 25,30,00,000 Equity shares of ₹ 1 each (Previous Year 25,30,00,000 Equity shares of ₹ 1 each) | 2,530.00 | 2,530.00 |
| | 2,530.00 | 2,530.00 |

2.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| | 31 March 2014 | | 31 March 2013 | |
|--------------------------------------|---------------------|-----------------|---------------|----------|
| Equity Shares | No.of Shares | Value | No.of Shares | Value |
| At the beginning of the period | 25,30,00,000 | 2,530.00 | 25,30,00,000 | 2,530.00 |
| Issued during the period | - | - | - | - |
| Outstanding at the end of the period | 25,30,00,000 | 2,530.00 | 25,30,00,000 | 2,530.00 |

2.2 Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of ₹1 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

2.3 Shares held by holding/ultimate holding company

Out of equity shares issued by the company, shares held by its holding company details given below :

| | 31 March 2014 | 31 March 2013 |
|---|---------------------|---------------|
| Name of the Shareholder | No.of Shares | No.of Shares |
| Beaver Engineering & Holdings Private Limited | 14,30,59,443 | 14,30,59,443 |

Notes Forming Part of Consolidated Balance Sheet

2.4 Details of shareholders holding more than 5% shares in the company

(₹ in Lakhs)

| Name of the Shareholder | 31 March 2014 | | 31 March 2013 | |
|--|---------------|------------------------|---------------|------------------------|
| | No. of Shares | % holding in the class | No. of Shares | % holding in the class |
| Equity shares of ₹1 each fully paid | | | | |
| Beaver Engineering & Holdings Private Limited | 14,30,59,443 | 56.55 | 14,30,59,443 | 56.55 |
| Dr. A J Prasad | 2,76,54,500 | 10.93 | 2,76,54,500 | 10.93 |
| Citigroup Global Markets Mauritius Private Limited | 1,67,01,761 | 6.60 | 1,67,01,761 | 6.60 |
| Reliance Capital Limited | 1,43,60,000 | 5.68 | 1,43,60,000 | 5.68 |

Note : 3

| Reserves and Surplus | 31 March 2014 | | 31 March 2013 | |
|--|---------------|-----------|---------------|-----------|
| | | | | |
| Capital Reserve | | 1.02 | | 1.02 |
| Investment Subsidy from State Government | | 55.77 | | 55.77 |
| Securities Premium Account | | | | |
| Opening Balance | 13,360.61 | | 13,496.21 | |
| Less : Adjustment on account of movement in Minority Interest in the Subsidiary (Note : 3.1) | - | | 135.60 | |
| Less : On Account of disinvestment of Subsidiary | 2,922.85 | 10,437.77 | - | 13,360.61 |
| Employee stock options outstanding | | | | |
| Opening Balance | 74.97 | | 74.97 | |
| Less : On account of disinvestment of Subsidiary during the year (Note : 3.1) | 74.97 | - | - | 74.97 |
| General Reserve | | | | |
| Opening Balance | 36,012.12 | | 35,512.12 | |
| Less : On Account of disinvestment of Subsidiary (Note : 3.1) | 12.12 | | - | |
| Add : Transferred from Profit & Loss Account | 500.00 | 36,500.00 | 500.00 | 36,012 |
| Exchange Variation Reserve | | (269.45) | | (35.44) |
| Surplus as per Profit & Loss Account | | 6,963.19 | | 2,448.35 |
| Total | | 53,688.30 | | 51,917.41 |
| Share of Joint Venture | | | | |
| Exchange variation Reserve | | (40.35) | | (42.10) |
| Grand Total | | 53,647.95 | | 51,875.30 |
| Surplus/(deficit) in the statement of profit and loss | | | | |
| Balance as per last financial statements | 2,448.35 | | 1,050.12 | |
| Less : Amalgamation Adjustments | - | | 14.27 | |
| Add : On Account of disinvestment of Subsidiary (Note : 3.1) | 1,643.85 | | (40.42) | |
| Add : Transferred to Minority Interest Group | - | | 21.79 | |
| | 4,092.20 | | 1,045.76 | |
| Add : Profit for the Period | 3,962.98 | 8,055.18 | 2,343.66 | 3,389.42 |
| Less : Dividend on Equity Shares | 506.00 | | 379.50 | |
| Tax on Dividend | 85.99 | | 61.56 | |
| Transfer to General Reserve | 500.00 | 1,091.99 | 500.00 | 941.06 |
| | | 6,963.19 | | 2,448.35 |

3.1 During the year, the entire equity held by the parent company in M/s. Agile Electric Sub Assembly (Pvt) Ltd (a subsidiary company) was disinvested by way of Sale. Consequently, the related balances of Share Premium, General Reserve, Employee Stock Option outstanding, negative balance in Profit/Loss Statement which were appearing as Group's share in Consolidated Financial Statement on 31.03.2013 have been adjusted.

Notes Forming Part of Consolidated Balance Sheet
Note : 4 Minority Interest

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|-----------------------|---------------|---------------|
| In Share Capital | - | 2,495.55 |
| In Reserves & Surplus | (129.23) | 7,303.44 |
| | (129.23) | 9,798.99 |

4.1 Minority Interest

| | Agile Group | HBL Suntech LLP | Total |
|---|-------------|-----------------|----------|
| Opening Balance : | | | |
| Minority Interest in Share Capital | 2,495.55 | - | 2,495.55 |
| Minority Interest in Reserves & Surplus | 7,342.02 | (38.58) | 7,303.44 |
| | 9,837.57 | (38.58) | 9,798.99 |
| Share of Profit/(Loss) for the year 2013-14 | - | -90.66 | (90.66) |
| Reduction on account of disinvestment during the year | 9,837.57 | - | 9,837.57 |
| Balance on 31.03.2014 | - | (129.23) | (129.23) |

The Minority partner in LLP agreed to contribute ₹ 80.00 Lakhs towards Capital as per LLP Agreement which is yet to be contributed. In view of the binding contractual obligation to contribute the capital and proportionate share of losses as per Article 5 of the LLP agreement dated 11.10.2011, the share of loss up to 31.03.2014 is considered as due and recoverable and accordingly the adverse balance is shown as minority interest.

Note : 5 : Non-Current Liabilities

| Long-Term Borrowings | 31 March 2014 | | 31 March 2013 | |
|---|---------------|----------|---------------|-----------|
| | Non-current | Current | Non-current | Current |
| Secured | | | | |
| A) Loans from | | | | |
| IDBI Bank Limited | 1,713.60 | 2,371.60 | 4,085.20 | 2,371.60 |
| State Bank of India | 2,159.63 | 1,451.38 | 3,611.01 | 1,620.00 |
| State Bank of Hyderabad | 1,050.00 | 905.83 | 1,955.83 | 1,100.00 |
| Exim Bank Ltd | - | - | 177.94 | 258.82 |
| Axis Bank Ltd | - | - | 5,254.94 | 4,280.00 |
| ICICI Bank Ltd | 2,300.00 | 2,300.00 | 4,600.00 | 2,300.00 |
| Agile Group Term Loans | - | - | 7,507.62 | 2,778.79 |
| | 7,223.23 | 7,028.81 | 27,192.54 | 14,709.21 |
| B) Loans from Others | | | | |
| HDFC Ltd | 62.21 | 54.75 | - | - |
| Against Vehicles from HDFC Bank | - | - | 24.04 | 72.33 |
| Against Vehicles from ICICI Bank | - | - | 6.37 | 3.21 |
| Others (Refer Note : 5.3) | 234.33 | 12.00 | 219.10 | - |
| | 296.53 | 66.75 | 249.50 | 75.54 |
| C) Unsecured (Refer Note : 5.4) | | | | |
| Interest Free Sales Tax Loan (Deferred Payment Liability) | 1,171.62 | 319.38 | 1,636.37 | 42.43 |
| Loan from HPFSIPL | 103.38 | 35.86 | 123.10 | 28.83 |
| Finance Lease Obligations from HPFSIPL | 46.82 | 16.37 | 63.19 | 14.51 |
| Loan from Holding Company | 13,800.00 | - | 12,000.00 | - |
| Lease Finance from L&T | - | - | 367.16 | 99.46 |
| Lease Finance Obligation | 1.57 | 1.49 | 2.77 | 1.28 |
| Others | 60.00 | - | 60.00 | - |
| | 15,183.40 | 373.09 | 14,252.60 | 186.51 |
| Total | 22,703.16 | 7,468.65 | 41,694.65 | 14,971.26 |
| Share of Joint Venture | - | - | - | - |
| Grand Total | 22,703.16 | 7,468.65 | 41,694.65 | 14,971.26 |

5.1 Term Loans :
HBL Power Systems Ltd. (Parent Company)

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under. (in Note. 5.1.1 to 5.2.5)

Notes Forming Part of Consolidated Balance Sheet

5.1.1 Current Maturities of Long Term Loans

instalments due within 12 months from the date of Balance Sheet classified as current as shown above are disclosed under " Other Current Liabilities"

5.1.2 Term Loan from IDBI, SBI, SBH :

The Term Loans from IDBI, State Bank of Hyderabad and State Bank of India are secured by a first charge on the movable and immovable assets (both present and future) of the company, (save and except exclusive charges already created if any) situated (a) at Lalgadi Malakpet and Aliabad Villages, Shameerpet Mandal, Ranga Reddy Dist, (b) at Nandigaon Village, Mahbubnagar Dist, (c) at Bhootpur Village, Mahaboobnagar Dist, (d) at Kandivalasa Village, Vijayanagaram Dist, and (e) at VSEZ, Visakhapatnam Dist. The loans are also secured by a second charge on the current assets of the company. These loans are also guaranteed by Managing Director and a Director in their personal capacity.

(₹ in Lakhs)

| Name of the Bank | Loan Amount | No of Instalments (Quarterly) | % of Interest | Outstanding Ason 31-03-2014 | No of Instalments Due |
|-------------------------|-------------|-------------------------------|---------------|-----------------------------|-----------------------|
| IDBI BANK LIMITED | | | | | |
| - Term Loan I | 6,000.00 | 24 | 13.00 | 1,000.00 | 4 |
| - Term Loan II | 7,200.00 | 21 | 13.50 | 3,085.20 | 10 |
| STATE BANK OF INDIA | | | | | |
| - Term Loan I | 3,000.00 | 24 | 13.50 | 331.38 | 3 |
| - Term Loan II | 7,200.00 | 26 | 13.95 | 3,279.63 | 12 |
| STATE BANK OF HYDERABAD | | | | | |
| - Term Loan I | 3,000.00 | 24 | 14.70 | 305.83 | 3 |
| - Term Loan II | 3,600.00 | 24 | 14.20 | 1,650.00 | 11 |

5.1.3 Term Loan from ICICI Bank :

The term loan of Rs.6000 lakhs for Capex and Rs.4000 lakhs for working capital is secured by subservient / residual charge on all current and moveable assets of the Company both present and future. The charge is subservient to the existing lenders to the extent of all drawn and undrawn limits of term loans and working capital only. The loan is guaranteed by the Managing Director and a Director in their personal capacity.

| | Loan Amount | No of Instalments (Quarterly) | % of Interest | Outstanding Ason 31-03-2014 | No of Instalments Due |
|---------------------------|-------------|-------------------------------|---------------|-----------------------------|-----------------------|
| Term Loan | 6,000.00 | 16 | 13.00 | 3,000.00 | 8 |
| Working Capital Term Loan | 4,000.00 | 20 | 13.00 | 1,600.00 | 8 |

5.2 Other Loans :

5.2.1HDFC Bank

The Term Loans for acquiring vehicles are secured by exclusive hypothecation of vehicles acquired through execution of D.P. Note.

5.3 HBL USA : ₹ 246.32 Lakhs being loan in the form of Note entered into with The State of Connecticut Department of Economic & Community Development ,USA which is repayable from 01.10.2014 in 96 monthly instalments at an interest rate of 2% and is secured by corporate assets.

5.4 Unsecured Loans

5.4.1 Interest Free Sales Tax Loan (IFST):

IFST Loan of ₹ 1491.00 lakhs shown under unsecured loan represents the Sales tax payable by the Company given as Loan by A.P State Government under a scheme, to be repaid without interest after 14 years from the date of availment. The loan requires creation of a charge on the assets of the Company. Pending creation of charge, the amount is shown as 'Unsecured Loan' to be regrouped as Secured Loan as and when the charge is created.

5.4.2Term Loan from Hewlett-Packard Financial Services India Pvt Ltd (HPFSIPL) towards implementation of SAP Project is repayable in 20 quarterly instalments from the date of loan with interest at the rate ranging between 11% and 13%. The loan is also guaranteed by a Director of the Company.

Notes Forming Part of Consolidated Balance Sheet

- 5.4.3 Finance Lease of Assets from Hewlett-Packard Financial Services India Pvt Ltd (HPFSIPL) for Implementation of SAP Project is repayable by way of lease rentals over a period of 5 years and is also guaranteed by a Director of the Company.
- 5.4.4 Loan from Holding Company is Interest free and is repayable after a moratorium period of 10 years from the date of first drawl.
- 5.4.5 Unsecured Loan from Others
SCIL Infracon Pvt. Ltd : From others ₹ 60.00 Lakhs
- 5.5 There were no continuing defaults as on the Balance Sheet date in repayment of loan instalments and interest

Note : 6

(₹ in Lakhs)

| | 31 March 2014 | 31 March 2013 |
|---|-----------------|---------------|
| Deferred Tax Liability (Net) | | |
| Deferred Income Tax Liability (As per last Balance Sheet) | 4,492.24 | 3,719.76 |
| Less: On Account of disinvestment of Subsidiary | 2,137.34 | - |
| Add: Deferred Income Tax Liability/Asset for the year | 242.95 | 772.48 |
| Total | 2,597.85 | 4,492.24 |
| Share of Joint Venture | - | - |
| Grand Total | 2,597.85 | 4,492.24 |

Note : 7 Provisions

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|-----------------|---------------|------------|
| | Long-Term | Short-Term | Long-Term | Short-Term |
| Provision for Employee benefits | | | | |
| Provision for Earned Leave Encashment | 203.00 | 14.48 | 158.72 | 9.18 |
| Provision for Gratuity | - | 249.27 | - | 17.78 |
| Other Provisions | | | | |
| Provision for Warranties | - | 663.84 | - | 553.37 |
| Provision for Excise & Customs Duty on Closing Stocks | - | 378.24 | - | 322.57 |
| Provision for Commission on Profits | - | - | - | 56.16 |
| Provision for Proposed Equity Dividend | - | 506.00 | - | 379.50 |
| Provision for Tax on Proposed Equity Dividend | - | 85.99 | - | 61.56 |
| Total | 203.00 | 1,897.83 | 158.72 | 1,400.12 |
| Share of Joint Venture | 10.91 | - | - | 10.92 |
| Grand Total | 213.91 | 1,897.83 | 158.72 | 1,411.04 |

Current Liabilities

Note : 8 Short Term Borrowings (Loans repayable on Demand)

| | 31 March 2014 | | 31 March 2013 | |
|---|------------------|------------------|---------------|-----------|
| Working Capital Loans from | | | | |
| State Bank of India | 13,748.63 | | 13,284.28 | |
| State Bank of Hyderabad | 2,547.42 | | 2,986.18 | |
| IDBI Bank Ltd | 3,625.62 | | 3,668.78 | |
| ICICI Bank Ltd | 4,979.79 | | 5,000.40 | |
| Axis Bank Ltd | 3,972.10 | | - | |
| Axis Bank Ltd EPC | 980.53 | | - | |
| Buyers Credits from Banks | 5,437.36 | | 5,382.18 | |
| Agile Group Working Capital Loans | - | 35,291.45 | 7,373.87 | 37,695.68 |
| Unsecured (from Banks) | | | | |
| Purchase Bill Discounting from | | | | |
| Kotak Mahindra Bank Ltd | | 2,336.38 | | 1,274.58 |
| Purchase Bill Discounting from IDBI Bank Ltd | | 1,430.40 | | - |
| Sale Bill Discounting backed by LC from Banks | | 1,144.37 | | 3,714.24 |
| HDFC Shrot Term Loan | | 1,500.00 | | - |
| Yes Bank Ltd EPC | 882.59 | | - | - |
| Yes Bank Ltd Current Account | | 90.62 | | - |
| Unsecured (from others) | | | | |
| Inter Corporate Deposit from Holding Company | | 245.00 | | 2,400.00 |
| Loans from Directors | | 321.00 | | 276.00 |
| Loan from Others | | - | | 870.00 |
| Total | | 43,241.82 | | 46,230.50 |
| Share of Joint Venture | | - | | - |
| Grand Total | | 43,241.82 | | 46,230.50 |

8.1 HBL Power Systems Ltd.

8.1.1 Working Capital Loans

The Working Capital Loans from the State Bank of India, State Bank of Hyderabad, IDBI Bank Ltd , ICICI Bank Ltd and Axis Bank are secured by a first charge on all the chargeable current assets and by a second charge on the fixed assets (both present and future) of the Company. All the loans are also guaranteed by Managing Director, two other Directors of the Company, and Smt. A. Uma Devi in their personal capacities.

8.1.2 Purchase Bill Discounting from Kotak Mahindra Bank Ltd. Is guaranteed by CMD and a Director of the Company in their personal capacity.

Purchase Bill Discounting from IDBI Bank Ltd. Is secured by accepted bill of exchange and post dated cheque/ standing instructions for making payment on due date

8.1.3 The facilities extended by YES Bank are secured by subservient charge on all the current and movable fixed assets of the company. Further the facilities are guaranteed by Managing Director and one other promoter director of the Company.

8.1.4 Working Capital Short Term Loan from HDFC Bank is secured by personal guarantee of CMD and is repayable within 90 days with interest @10.50% p.a.

8.1.5 Inter Corporate Deposit from Holding Company is repayable on demand with interest @ 12% p.a.

8.1.6 Loan from Directors is repayable on demand with interest @ 12% p.a.

8.1.7 There were delays in clearing the Purchase bills discounted with IDBI Bank Limited and Kotak Mahindra Bank to the extent of ₹ 355.21 Lakhs for a period of 7 days as on the Balance Sheet date(since cleared).

The outstanding balance in YES Bank Ltd current account represents facility reckoned as Cash Credit.

Note : 9 Trade Payables

| | 31 March 2014 | 31 March 2013 |
|------------------------|---------------|---------------|
| Trade Payables | 28,370.48 | 26,368.10 |
| Due to MSMED | 971.97 | 1,198.97 |
| Total | 29,342.46 | 27,567.07 |
| Share of Joint Venture | 160.89 | 609.79 |
| Grand Total | 29,503.35 | 28,176.86 |

Note : 10 Other Current Liabilities

| | 31 Mar ch 2014 | 31 March 2013 |
|---|----------------|---------------|
| Current Maturities of Long-Term Debt (Refer Note : 5.1.1) | 7,468.65 | 14,971.26 |
| Other Payable Employees | 1,543.56 | 1,012.40 |
| Trade Deposits & Advances Against Sales | 7,014.75 | 5,188.44 |
| Statutory Dues | 439.52 | 613.56 |
| Interest Accrued and Due | 34.09 | 386.56 |
| Interest Accrued But not Due | 185.06 | 304.89 |
| Unpaid/unclaimed Dividends * | 27.66 | 32.55 |
| Directors Current Account | 171.53 | 106.20 |
| Creditors Capital Expenditure | 523.39 | 1,013.93 |
| Other Payables | 1,847.87 | 2,267.73 |
| Total | 19,256.07 | 25,897.52 |
| Share of Joint Venture | 76.38 | 23.77 |
| Grand Total | 19,332.46 | 25,921.29 |

10.1 There were no amounts due and outstanding as on the Balance Sheet date to be credited to Investor Education & Protection Fund

Schedules Forming Part of Consolidated Balance Sheet

Note : 11

Tangible Assets (at Cost)

₹ In Lakhs

| Description | Gross Block | | | | Depreciation Block | | | | Net Block | | |
|----------------------------|------------------------|-----------------|--|---------------------------|-------------------------|------------------------|-----------------|--|---------------------------|-------------------------|-------------------------|
| | As On April 1, 2013 | Additions | Deletions on disinvestment of Subsidiary | Adjustments/ deletions | As On March 31, 2014 | As On April 1, 2013 | For the Year | Deletions on disinvestment of Subsidiary | Adjustments/ Deletions | As On March 31, 2014 | As On March 31, 2013 |
| Land - Freehold | 4,299.55 | 13.89 | 600.00 | - | 3,713.44 | - | - | - | - | 3,713.44 | 4,456.97 |
| Land - Leasehold | 246.99 | - | - | - | 246.99 | - | 20.83 | - | - | 226.15 | 89.57 |
| Buildings - Factory | 23,740.92 | 281.67 | 6,059.27 | - | 17,963.32 | 3,340.65 | 590.99 | 811.29 | - | 3,120.35 | 20,400.27 |
| Buildings - Others | 1,118.65 | 47.56 | - | 192.58 | 973.63 | 71.63 | 16.67 | - | 8.76 | 79.54 | 894.09 |
| Plant & Machinery | 67,906.15 | 1,622.67 | 27,602.74 | 40.96 | 41,885.13 | 22,851.28 | 2,532.73 | 8,623.92 | 9.99 | 16,750.10 | 45,054.87 |
| Office Equipment | 2,033.27 | 77.44 | 129.89 | 10.01 | 1,970.81 | 1,051.68 | 198.85 | 55.34 | 9.60 | 1,185.59 | 981.59 |
| Assets Under Finance Lease | 86.48 | - | - | - | 86.48 | 8.66 | 14.02 | - | - | 63.80 | 77.82 |
| Furniture & Fixtures | 1,219.07 | 19.24 | 417.48 | 1.58 | 819.25 | 523.31 | 51.70 | 187.33 | 0.50 | 387.17 | 695.76 |
| Vehicles | 1,315.20 | 133.86 | 50.90 | 57.15 | 1,341.02 | 701.95 | 103.76 | 18.10 | 31.83 | 755.79 | 613.25 |
| Technical Library | 1.89 | - | - | - | 1.89 | 1.89 | - | - | - | - | - |
| Sub Total (A) | 1,01,968.17 | 2,196.34 | 34,860.28 | 302.28 | 69,001.95 | 28,551.04 | 3,529.56 | 9,695.98 | 60.68 | 22,323.94 | 73,417.13 |
| Share of Joint Venture (B) | 513.16 | 29.01 | - | - | 542.17 | 76.78 | 33.01 | - | - | 109.79 | 436.38 |
| Grand Total (A+B) | 1,02,481.33 | 2,225.35 | 34,860.28 | 302.28 | 69,544.12 | 28,627.82 | 3,562.57 | 9,695.98 | 60.68 | 22,433.73 | 73,853.51 |
| Previous Year | 96,413.51 | 7,313.48 | - | 1,245.66 | 102,481.33 | 23,502.81 | 5,823.43 | - | 698.43 | 28,627.82 | 73,853.51 |

Parent & Subsidiary Balance

Less :

Capitalised

Prior Period

As per P&L statement

14.02

22.88

36.90

3,529.56

3,492.66

Note : 12 Intangible Assets (at Cost)

₹ In Lakhs

| Description | Gross Block | | | | Depreciation Block | | | | Net Block | | |
|--|---------------------------|-----------|--|---------------------------|-------------------------|------------------------|-----------------|--|---------------------------|-------------------------|-------------------------|
| | As On April 1, 2013 | Additions | Deletions on disinvestment of Subsidiary | Adjustments/ deletions | As On March 31, 2014 | As On April 1, 2013 | For the Year | Deletions on disinvestment of Subsidiary | Adjustments/ Deletions | As On March 31, 2014 | As On March 31, 2013 |
| Intangible Assets | | | | | | | | | | | |
| New Product Development Expenditure | 2,643.94 | 514.10 | 534.29 | 91.81 | 2,531.94 | 1,392.96 | 334.97 | 485.03 | 22.51 | 1,220.38 | 1,250.98 |
| Intangible Asset Power Facility | 96.16 | - | - | - | 96.16 | 4.81 | 19.23 | - | - | 24.04 | 91.36 |
| Goodwill Paid on Purchase of Business | 125.00 | - | - | - | 125.00 | 25.00 | 25.00 | - | - | 50.00 | 100.00 |
| Goodwill on Acquisition of Subsidiaries | 8,894.50 | - | 8,621.37 | - | 273.14 | - | - | - | - | - | 8,894.50 |
| Trade Marks and Other Business Intangibles | 53.40 | - | - | - | 53.40 | 10.17 | 10.36 | - | - | 20.53 | 43.23 |
| ERP Package | 208.86 | - | 208.86 | - | - | 160.86 | - | 160.86 | - | - | 48.00 |
| Technical know how fee for Electronic Products | - | 295.48 | - | - | 295.48 | - | 44.32 | - | - | 44.32 | - |
| Technical know how fee for Other Products | 500.00 | - | - | - | - | 125.07 | - | - | - | 125.07 | 374.93 |
| Sub Total (A) | 12,521.86 | 809.59 | 9,364.52 | 91.81 | 3,875.12 | 1,718.86 | 433.88 | 645.89 | 22.51 | 1,484.34 | 10,803.00 |
| Share of Joint Venture (B) | 72.07 | - | - | - | 72.07 | 15.81 | 9.63 | - | - | 25.44 | 56.26 |
| Grand Total (A+B) | 12,593.93 | 809.59 | 9,364.52 | 91.81 | 3,947.19 | 1,734.67 | 443.51 | 645.89 | 22.51 | 1,509.78 | 10,859.26 |
| Previous Year | 12,330.01 | 263.93 | 0.00 | 0.00 | 12,593.93 | 1,187.87 | 546.80 | 0.00 | 0.00 | 1,734.67 | 10,859.26 |

Parent & Subsidiary Balance

Less : Adjustments/Deletions

As per P&L statement

433.88

22.51

411.37

Note : 13

| | | |
|--|-----------------|---------------|
| Capital Work in Progress | 31 March 2014 | 31 March 2013 |
| Machinery under Erection | 1,737.38 | 2,274.70 |
| Civil Works in Progress | 45.40 | 248.25 |
| Pre-operative Expenses pending to be capitalised | 333.52 | 417.53 |
| Total | 2,116.31 | 2,940.48 |
| Share of Joint Venture | - | 84.76 |
| Grand Total | 2,116.87 | 3,025.24 |

Note : 14

Intangible Assets Under Development/Progress (at cost)

| Description | As On April 1, 2013 | Additions during the year | Adjustments/ Deletions | Transfer on Completion to Intangible Asset | As On March 31, 2014 |
|--|------------------------|------------------------------|---------------------------|--|-------------------------|
| 1) New Product Development Expenditure (Internally generated) | | | | | |
| a) Battery Products | 1,529.41 | - | 112.61 | 311.05 | 1,105.75 |
| b) Electronic Products | 785.31 | 65.50 | - | 198.61 | 652.20 |
| 2) Technical Knowhow fee paid | 1,574.04 | - | - | 295.48 | 1,278.55 |
| 3) Power Facility cost | - | 14.88 | - | - | 14.88 |
| 4) SAP Project Expenditure | 258.65 | 187.10 | - | - | 445.75 |
| 5) Others | 13.12 | - | 13.12 | - | - |
| Sub Total (A) | 4,160.54 | 267.47 | 125.73 | 805.14 | 3,497.13 |
| Shares of Joint ventures (B) | - | - | - | - | - |
| Grand Total (A + B) | 4,160.54 | 267.47 | 125.73 | 805.14 | 3,497.13 |

14.1 In respect of Battery Products, the company has completed all activities relating to development and is in the process of installing the mass production facilities and sales network, which are expected to be completed shortly. The Company has not incurred any additional cost, during the year, on such products. In respect of Other Products, development is in progress.

Note : 15 Non-Current Investments (at Cost)

| No. of Equity Shares Held | Face Value | Details | 31 March 2014 | | 31 March 2013 | |
|---------------------------|------------|---|---------------|--------|---------------|----------|
| i) Investment in Equity | | | | | | |
| a) Subsidiary Companies | | | | | | |
| 41000 (41000) | ₹ 10 | Naval Systems & Technologies Pvt Ltd | 4.10 | | 4.10 | |
| | ₹ 10 | Cost of acquisition | 141.16 | 145.26 | 119.48 | 123.58 |
| | | Add/(Less) :Group Share of Profits/(Losses) upto the Balance Sheet date | | | | |
| 90000 (90000) | ₹ 10 | Kairos Engineering Ltd. | 9.00 | | 9.00 | |
| | | Cost of acquisition | (5.74) | 3.26 | (9.00) | - |
| | | Add/(Less) :Group Share of Profits/(Losses) upto the Balance Sheet date | | | | |
| b) Other Companies | | | | | | |
| (Quoted) | | | | | | |
| 200 (200) | ₹ 10 | Indian Lead Ltd | | 0.10 | | 0.10 |
| 2600 | ₹ 10 | VARP Power Pvt Ltd | | 0.26 | | - |
| - (2060482) | | Sankhya Infotech Ltd | | - | | 721.81 |
| | ₹ 10 | | | | | |
| (Un quoted) | | | | | | |
| - (2118649) | | Bosch Electrical Drives I Pvt Ltd | | - | | 2,118.65 |
| | ₹10 | | | | | |
| Total | | | | 148.88 | | 2,964.13 |

15.1 All Investments are Trade and Un quoted (unless other wise stated) and are classified as permanent (Non Current).

| | | |
|--|---------------|---------------|
| Aggregate amount of Quoted investments | ₹ 0.10 | ₹ 721.91 |
| Aggregate Market Value of Quoted Investments | Not Available | Not Available |

Note : 16 Loans and advances to Employees

(₹ in Lakhs)

| | | 31 March 2014 | | 31 March 2013 | |
|---|--|---------------|------------|---------------|------------|
| | | Long-Term | Short-Term | Long-Term | Short-Term |
| Capital Advances | | | | | |
| Secured, Considered Good | | - | - | - | - |
| Unsecured, Considered Good | | 466.49 | - | 565.61 | - |
| | | 466.49 | - | 565.61 | - |
| Security Deposits | | | | | |
| Secured, Considered Good | | - | - | - | - |
| Unsecured, Considered Good | | 791.65 | 316.65 | 1,058.97 | 385.96 |
| | | 791.65 | 316.65 | 1,058.97 | 385.96 |
| Loans & Advances to Related Parties | | | | | |
| Unsecured, Considered Good | | - | 37.68 | - | 37.68 |
| | | - | 37.68 | - | 37.68 |
| Other Loans & Advances | | | | | |
| Loans and advances to Employees | | 14.83 | 79.41 | 7.14 | 75.09 |
| Deposits/Balances with Excise/Sales Tax Authorities | | - | 932.08 | - | 586.34 |
| Advance for investment pending allotment - | | - | - | - | - |
| Advances for Purchases and Others | | - | 2,422.72 | - | 1,391.22 |
| Interest Accrued But not Due on Deposits - | | 515.04 | - | 335.09 | - |
| Service Tax Input/Vat Receivables | | - | 412.27 | - | 511.69 |
| Claims & Other Receivables | | - | 411.44 | - | 273.94 |
| Other Advances | | - | 177.01 | - | 943.78 |
| Income Tax Refunds Receivable | | - | 77.32 | - | 52.35 |
| Preliminar Expenses | | 0.30 | - | - | 0.60 |
| MAT Credit Entitlement | | - | 1,423.40 | - | 813.00 |
| | | 15.13 | 6,450.70 | 7.14 | 4,983.11 |
| Advance Payment of Income Tax (including TDS) | | - | 2,616.60 | - | 3,386.71 |
| Less : Provision for Income Tax/Wealth Tax | | - | 1,652.41 | - | 1,730.02 |
| | | - | 964.19 | - | 1,656.68 |
| Total (A+B+C+D+E) | | 1,273.28 | 7,769.22 | 1,631.72 | 7,063.44 |
| Share of Joint Venture | | - | 8.12 | - | 156.53 |
| Grand Total | | 1,273.28 | 7,777.34 | 1,631.72 | 7,219.97 |

Notes to Financial Statements for the year ended March 31, 2014

16.1 Particulars of Loans and Advances due from Related Parties

₹ in Lakhs

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| Kairos Engineering Ltd (Associate Company) | 34.78 | 34.78 |
| Sankhya Infotech Ltd. | 2.90 | 2.90 |
| | 37.68 | 37.68 |

16.2 Claims & Other Receivables

During the financial year 2011-12, due to heavy rainfall, there was a damage to one of the factory buildings and incidental damage to Plant & Machinery and stocks in process. The assets were insured under reinstatement value policy which was in force as on the date of incident. The total cost for repairing, rebuilding the factory shed/acquiring related machinery and damaged inventory is estimated at ₹ 264.00 Lakhs. The company is in the process of restoring the damaged assets and the cost incurred in this regard upto 31.03.2014 was ₹ 102.70 Lakhs, which is included in Claims & Other Receivables. The Company has received repudiation letter from the Insurer and the company is preferring to proceed legally against the Insurance company.

Notes to Financial Statements for the year ended March 31, 2014

Current Assets

Note : 17 Inventories *

| | 31 March 2014 | 31 March 2013 |
|---|------------------|------------------|
| Raw Materials | 32,042.11 | 25,536.44 |
| Stores, Spares, Process Chemicals, Fuels & Packing Material | 467.46 | 980.32 |
| Stock -in-trade (in respect of goods acquired for trading) | 479.98 | 985.42 |
| Bonded Stocks | 3,696.23 | 1,557.54 |
| Consumable Tools | 10.69 | 12.06 |
| Work In Progress | 17,599.08 | 13,143.24 |
| Finished Goods | 6,497.57 | 7,720.29 |
| Total | 60,793.11 | 49,935.31 |
| Share of Joint Venture | 52.56 | 38.65 |
| Grand Total | 60,845.67 | 49,973.96 |

* Valuation of Inventories carried out as per Accounting Policy J of Note No. 1

Note : 18 Trade Receivables

| | 31 March 2014 | | 31 March 2013 | |
|--|---------------|------------------|---------------|------------------|
| | Long Term | Short Term | Long Term | Short Term |
| Outstanding for a period exceeding six months from the date they are due for payment | | | | |
| Secured, Considered Good | | | | |
| Unsecured, Considered Good | - | 8,878.10 | | 4,506.17 |
| Provision for Doubtful Receivables | - | | | (20.54) |
| (A) | - | 8,878.10 | - | 4,485.63 |
| Other Receivables | | | | |
| Secured, Considered Good | - | | - | |
| Unsecured, Considered Good | - | 34,607.37 | - | 48,519.76 |
| (B) | - | 34,607.37 | - | 48,519.76 |
| Total (A+B) | - | 43,485.47 | - | 53,005.39 |
| Share of Joint Venture | | 164.20 | | 316.61 |
| Grand Total | - | 43,649.66 | | 53,322.00 |

Note : 19 Cash and Bank Balances

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|----------|---------------|----------|
| | Non-Current | Current | Non-Current | Current |
| Cash & Cash Equivalents | | | | |
| Cash on hand | | 19.37 | | 342.38 |
| Current Accounts | | 2,003.87 | | 1,103.67 |
| (A) | | 2,023.24 | - | 1,446.05 |
| Other Bank Balances | | | | |
| Fixed Deposits with original maturity of less than three months | | 130.66 | | 162.22 |
| Fixed Deposits | 15.71 | 55.62 | 27.32 | 54.38 |
| Margin Money Deposits | 1,423.58 | 2,943.85 | 1,233.47 | 1,576.82 |
| No-Lien Account | | - | | 604.22 |
| Dividend Account | | 27.66 | | 32.55 |
| (B) | 1,439.28 | 3,157.79 | 1,260.79 | 2,430.20 |
| Total (A+B) | 1,439.28 | 5,181.03 | 1,260.79 | 3,876.24 |
| Share of Joint Venture | | 62.16 | - | 142.23 |
| Grand Total | 1,439.28 | 5,243.19 | 1,260.79 | 4,018.48 |

Note : 20 Revenue from Operations

(₹ In Lakhs)

| | 31 March 2014 | 31 March 2013 |
|--------------------------------|---------------|---------------|
| Sales of Products | 1,32,759.13 | 1,67,007.64 |
| Traded Goods | 393.50 | 4,472.97 |
| Sales of Services | 6,223.81 | 6,435.40 |
| Other Operating Revenue | | |
| Scrap Sales | 38.54 | 909.51 |
| | 1,39,414.98 | 1,78,825.53 |
| Share of Joint Venture | 613.45 | 657.15 |
| Grand Total | 1,40,028.43 | 1,79,482.68 |
| Less : Excise Duty | 9,279.15 | 8,449.92 |
| | 1,30,749.28 | 1,71,032.76 |

Note : 21 Other Income

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| Interest earned on Deposits with Banks / Others | 412.46 | 344.13 |
| Interest on IT Refunds | 146.63 | 3.43 |
| Foreign Exchange Variation | - | 180.22 |
| Recovery of Bad Debts Written off | 61.54 | 34.46 |
| Provisions /Credit Balances no longer required written back | 306.30 | 73.04 |
| Sales Tax Refund Received | 12.86 | 38.20 |
| Miscellaneous Income | 29.82 | 111.32 |
| Duty Drawback Received | 0.53 | 2.41 |
| Total | 970.13 | 787.21 |
| Share of Joint Venture | 0.22 | - |
| Grand Total | 970.35 | 787.21 |

Note : 22 Cost of Material Consumed

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|--|--------------------|------------------|---------------|-------------|
| | | | | |
| Opening Stock | 25,536.44 | | 18,592.87 | |
| Less : On Account of disinvestment of Subsidiary | (4080.32) | | - | |
| | 21,456.12 | | 18,592.87 | |
| Purchases, Material, Components & Consumables | 93,761.75 | | 1,07,446.71 | |
| | 1,15,217.87 | | 1,26,039.58 | |
| Less : Closing Stock | 32,042.11 | 83,175.76 | 25,536.44 | 1,00,503.14 |
| Less : Internal capitalisation | | 286.86 | | 61.41 |
| Cost of Material Consumed | | 82,888.90 | | 1,00,441.73 |
| Share of Joint Venture | | 443.81 | | 506.04 |
| Grand Total | | 83,332.71 | | 1,00,947.77 |

Note : 23 (Increase) / Decrease in Inventory

| | 31 March 2014 | | 31 March 2013 | |
|---|------------------|-------------------|---------------|------------|
| | | | | |
| a) Manufacturing Goods | | | | |
| i) Opening Stocks | | | | |
| a) Finished Goods | 7,720.29 | | 4,897.50 | |
| b) Semi Finished Goods | 13,143.24 | 20,863.53 | 8,384.64 | 13,282.13 |
| ii) On Account of disinvestment of Subsidiary | | | | |
| a) Finished Goods | 284.91 | - | | |
| b) Semi Finished Goods | 341.59 | 626.50 | - | - |
| iii) Closing Stocks | | | | |
| a) Finished Goods | 6,497.57 | | 7,720.29 | |
| b) Semi Finished Goods | 17,599.08 | 24,096.65 | 13,143.24 | 20,863.53 |
| | | (3,859.62) | | (7,581.40) |
| b) Traded Goods | | | | |
| Opening Stock of Traded Goods | 985.42 | | 1,047.59 | |
| Less : Internal Capitalisation | 143.76 | | - | |
| Closing Stocks of Traded Goods | 479.98 | 361.68 | 985.42 | 62.16 |
| | | (3,497.94) | | (7,519.23) |
| c) Share of Joint Venture | | (9.85) | | 53.36 |
| Grand Total (a + b+c) | | (3,507.79) | | (7,465.87) |

Note : 24 Employee Cost

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|--|---------------|------------------|---------------|------------------|
| Salaries, Wages & Bonus | 11,430.85 | | 13,718.08 | |
| Contribution to Provident Fund & Other Funds | 726.99 | | 865.00 | |
| Gratuity | 261.92 | | 129.68 | |
| Employees Stock Option Scheme | - | | 6.55 | |
| Staff Welfare Expenses | 891.56 | | 1,536.42 | |
| Recruitment & Training | 28.14 | | 276.20 | |
| | | 13,339.46 | | 16,531.92 |
| Remuneration to Directors: | | | | |
| Salaries & Allowances | 101.24 | | 104.24 | |
| Commission on Profits | - | | 56.16 | |
| Contribution to Provident Fund | 5.76 | 107.00 | 5.76 | 166.16 |
| Total | | 13,446.46 | | 16,698.08 |
| Share of Joint Venture | | 132.98 | | 80.14 |
| Grand Total | | 13,579.45 | | 16,778.22 |

Note : 25 Finance Cost

| | 31 March 2014 | 31 March 2013 |
|---|-----------------|------------------|
| Interest on Term Loans | 2,661.97 | 5,933.32 |
| Interest on Bank Borrowings | 3,823.26 | 4,661.60 |
| Interest on Vehicle Loans | 10.24 | 19.19 |
| Interest on Equipment Loans | - | 52.29 |
| Interest to Other Loans | 18.94 | 11.00 |
| Interest on Unsecured Loans | 56.35 | 340.65 |
| Interest on Loan Against TDR's | - | 35.82 |
| Interest - Others | 88.51 | 814.75 |
| Bank Charges | 395.98 | 714.03 |
| BG Charges | 257.95 | 90.92 |
| LC Charges | 364.71 | 267.38 |
| | 7,677.93 | 12,940.95 |
| Less: Capitalised and transferred to Pre Operative Expenses | 89.35 | 325.98 |
| Total | 7,588.57 | 12,614.97 |
| Share of Joint Venture | 0.02 | 0.96 |
| Grand Total | 7,588.59 | 12,615.93 |

Note : 26 Depreciation and Amortization expense

| | 31 March 2014 | 31 March 2013 |
|-----------------------------------|-----------------|-----------------|
| Depreciation of Tangible Assets | 3,492.66 | 5,778.74 |
| Amortisation of Intangible Assets | 411.37 | 539.38 |
| Total | 3,904.03 | 6,318.12 |
| Share of Joint Venture | 42.65 | 37.96 |
| Grand Total | 3,946.68 | 6,356.08 |

Notes Forming part of consolidated Statement of Profit & Loss

Note : 27 Other Expenses

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|-----------|---------------|-----------|
| Manufacturing / Service cost | | | | |
| Stores & Spares Consumption | 1,381.67 | | 4,775.90 | |
| Factory Rent | 26.79 | | 26.63 | |
| Equipment Lease Rent | 109.56 | | 0.09 | |
| Consumable Tools Charged Off | 14.66 | | 18.28 | |
| Job Work Charges Paid (Piece Rate Contract) | 4,078.96 | | 4,974.52 | |
| Testing Charges | 151.58 | | 129.04 | |
| Power and Fuel | 7,004.42 | | 8,941.92 | |
| Installation Charges Paid | 301.92 | | 218.12 | |
| Televan Hire Charges | 429.55 | 13,499.11 | 480.97 | 19,565.46 |
| Administrative Cost | | | | |
| Rent | 406.35 | | 547.26 | |
| Rates & Taxes | 162.03 | | 254.19 | |
| Licence Fees | 4.26 | | 28.01 | |
| Sales Tax on Works Contracts | 107.34 | | 89.21 | |
| Excise Duty on Stock Transfers to Branches | 237.22 | | 457.55 | |
| Excise duty paid on Samples & Replacements | 535.37 | | 234.11 | |
| Excise duty on Closing Stocks of Finished Goods | 174.59 | | 151.67 | |
| Insurance | 343.34 | | 220.06 | |
| Professional & Consultancy Charges | 396.26 | | 610.69 | |
| Security Expenses | 637.23 | | 551.63 | |
| Building & Garden Maintenance | 242.07 | | 282.50 | |
| Office & Office Equipment Maintenance | 294.02 | | 277.76 | |
| Vehicle Maintenance | 267.95 | | 221.07 | |
| Maintenance - Others | 291.52 | | 325.70 | |
| Conveyance | 933.27 | | 904.40 | |
| Travelling | 591.96 | | 1,441.22 | |
| Printing & Stationery | 202.78 | | 264.06 | |
| Postage, Telephones & Telex | 388.31 | | 477.49 | |
| Books & Periodicals | 83.23 | | 82.15 | |
| Foreign Exchange Rate Variation | 879.80 | | - | |
| Sundry Expenses | 344.72 | | 653.24 | |
| Directors Sitting Fees | 0.92 | | 0.88 | |
| Payment to Auditors | 76.28 | | 46.61 | |
| Audit Expenses | 8.75 | | 9.43 | |
| Internal Audit Expenses | - | | 1.62 | |
| Advances written off | 135.83 | | 16.03 | |
| Donations | 8.12 | | 6.10 | |
| Loss on Assets Sold | - | | 5.26 | |
| Deposits Written Off | 43.64 | 7,797.16 | 13.38 | 8,173.25 |
| Selling Cost | | | | |
| Freight Outward | 2,925.84 | | 2,883.78 | |
| Freight and Insurance on exports | 348.40 | | 467.59 | |

Notes Forming part of consolidated Statement of Profit & Loss

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---------------------------------|---------------|------------------|---------------|------------------|
| Export Expenses | 458.78 | | 577.90 | |
| Liquidated Damages | 253.71 | | 0.46 | |
| Commission On Domestic Sales | 76.36 | | 94.82 | |
| Commission On Export Sales | 38.86 | | 202.64 | |
| Discount to Dealers | 291.51 | | 37.91 | |
| Advertisement | 67.92 | | 49.81 | |
| Business Promotion | 74.16 | | 72.48 | |
| Membership & Subscription | 8.37 | | 6.57 | |
| Transit Insurance | 44.34 | | 36.34 | |
| Royalties On Sales | 87.04 | | 68.73 | |
| Bad debts written off | 526.75 | | 894.93 | |
| Provision for bad debts | - | | 15.04 | |
| Provision for Warranties | 110.47 | | 47.63 | |
| Selling and Forwarding Expenses | - | | 474.77 | |
| Quality Cost | - | | 315.17 | |
| Other Selling Expenses | 543.84 | | 114.01 | |
| Capital Issue Expenses | 0.30 | | 0.30 | |
| Prior Period Expenditure | 302.28 | 6,158.92 | 67.43 | 6,428.32 |
| Total | | 27,455.19 | | 34,167.03 |
| Share of Joint Venture | | 74.89 | | 109.25 |
| Grand Total | | 27,530.08 | | 34,276.28 |

Note : 28 Exceptional Items of (Income)/Expense

| | 31 March 2014 | 31 March 2013 |
|-------------------------------|-------------------|-----------------|
| Assets written off | 19.31 | 127.12 |
| Loss on Sale of Investments | 573.45 | - |
| Loss on Fire Accident | 76.45 | - |
| Profit on Sale of Investments | (6,218.10) | (140.00) |
| Profit on sale of assets | (90.50) | (628.63) |
| Sales Tax Subsidy Received | - | (137.05) |
| | (5,639.38) | (778.56) |

Note : 29 Contingent Liabilities not provided for :
29.1 HBL Power Systems Ltd:

All known and undisputed claims and liabilities where there is present obligation as a result of past events and it is probable that there will be an outflow of resources, have been duly provided for.

29.1.1 Contingent liabilities not provided for:

| Nature of Contingent Liability | As on 31.03.2014 | As on 31.03.2013 |
|---|------------------|------------------|
| a) Un-expired guarantees issued on behalf of the Company by banks for which the Company gave counter guarantees | 15,502.65 | 12,310.47 |
| b) Corporate Guarantee issued to ICICI Bank on behalf of Igarshi Motors India Ltd (a step down subsidiary of the company) for the loan facilities sanctioned to them. | - | 7,600.00 |

Notes Forming part of consolidated Statement of Profit & Loss

(₹ in Lakhs)

| | As on 31.03.2014 | As on 31.03.2013 |
|--|------------------|------------------|
| c) Legal undertakings (LUTs) given to Custom's Authorities for clearing the imports at Nil / Concessional rate of duty pending fulfilment of export obligations, (net of the export obligations fulfilled of ₹ 9,780.12 Lakhs (previous year ₹ 3,509.74 Lakhs) for which the process of discharging the LUTs by the concerned authorities is at various stages). | 3,609.72 | 4,597.14 |
| d) Claims against the Company not acknowledged as debts towards : | | |
| Excise duty | 357.84 | 310.50 |
| Sales Tax | 317.41 | 98.42 |
| Custom duty | - | 33.85 |
| Service Tax | 10.68 | 10.68 |
| Income Tax Dispute for Assessment Year 2009-10 | 65.08 | 65.08 |
| Property Tax of VSEZ unit | 27.64 | 27.64 |
| Fuel surcharge adjustment (FSA) to the extent billed and disputed | 356.40 | 374.73 |
| Enhancement of Land Cost by Haryana State Industrial & Infrastructure Development Corporation Ltd, Manesar | 108.82 | 108.82 |
| Erstwhile promoters of SCIL Infracon Pvt Ltd | 188.31 | 188.31 |
| Others claims | 11.50 | 17.67 |

| | | |
|--|---------------|--------|
| 29.1.2 Estimated amount of contracts remaining to be executed on Capital account and not provided for | 184.48 | 375.10 |
|--|---------------|--------|

29.1.3 Investments committed by the Company in other Companies:

| | | |
|--|---------------|--------|
| In M/s. HBL Suntech,LLP against 60% Share in LLP (net of Rs. 18.30 Lakhs contributed as on 31-03-2014) | 101.70 | 101.70 |
|--|---------------|--------|

29.2 SCIL Infracon Private Ltd. :

| | | |
|---|--------------|-------|
| a) Bank Guarantee issued to the Commission of Customs | 31.62 | 31.62 |
| b) Income Tax Dispute for Asst. Year 2008-09 | 0.34 | 0.34 |

Note : 30 Basis of preparations of CFS

The CFS are prepared in accordance with Accounting Standard (AS) – 21 "Consolidated Financial Statements", Accounting Standard (AS) – 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard (AS) – 27 "Financial Reporting of Interest in Joint Ventures", as specified in the Companies (Accounting Standards) Rules, 2006.

The Notes and Significant Accounting Policies to the CFS are intended to serve as a guide for better understanding of the Group's position. In this respect, the Company has disclosed such notes and policies, which represent the required disclosure.

Note : 31Disclosures required to be made as per Accounting Standard (AS)

31.1 Disclosure as per AS-7 "Construction Contract"(for contracts in progress at the reporting date) (HBL Power Systems Ltd.)

31.1.1 The Company recognised revenue based on Percentage completion method whereby stage of completion of a contract is determined with reference to the proportion that contract costs incurred (for work performed up to the reporting date) bear to the estimated total contract cost and wherever applicable after completion of inspection/certification of the work performed by the customers as stipulated in the contract.

31.1.2 In respect of Contracts in progress on 31.03.2014

| | 31 March 2014 | 31 March 2013 |
|---|-----------------|---------------|
| a) Contract revenue recognised in the period | 2,581.05 | 2,162.33 |
| b) Aggregate Contract costs incurred upto the reporting date. | 2,426.44 | 986.94 |
| c) Aggregate amount of recognised profits upto the reporting date. | 2,879.29 | 1,575.39 |
| d) Amount of advances received from Customer outstanding as on date | 310.44 | 727.09 |
| e) Amount retention (Amount billed less amount received and advance adjusted) | 1,099.6 | 824.48 |

Notes Forming part of consolidated Statement of Profit & Loss
Note : 32 Segment Report - Accounting Standard (AS - 17) :

(₹ in Lakhs)

| | 2013-14 | | 2012-13 | |
|--|-----------|-------------|-----------|-------------|
| | | | | |
| Segment Revenue | | | | |
| Batteries | | | | |
| Exports | 23,979.87 | | 23,746.38 | |
| Domestic sales | 86,743.33 | 1,10,723.20 | 80,315.30 | 10,4061.68 |
| Electronics | | | | |
| Exports | 3,098.50 | | - | |
| Domestic sales | 8,301.80 | 11,400.30 | - | - |
| Sub Assembly | | - | | 17,012.53 |
| Parts | | - | | 4,545.58 |
| Motors | | - | | 29,065.30 |
| Unallocated | | | | |
| Exports | 108.79 | | 2,976.28 | |
| Domestic sales | 10,992.34 | 11,101.13 | 21,912.62 | 24,888.90 |
| Total | | 1,33,224.63 | | 1,79,573.99 |
| Less : Inter-segment Revenue | | 2,475.35 | | 8,541.23 |
| | | 1,30,749.28 | | 1,71,032.76 |
| Segment Result | | | | |
| Batteries | | 8,509.11 | | 13,353.16 |
| Electronics | | 2,210.07 | | - |
| Sub Assembly | | - | | 3,673.52 |
| Parts | | - | | (1,299.37) |
| Motors | | - | | 6,741.08 |
| Unallocated | | 4,067.10 | | 1,843.82 |
| Total | | 14,786.28 | | 24,312.21 |
| Less : Interest | | 7,645.22 | | 12,566.52 |
| Unallocable expenditure net of unallocable income | | 2,534.76 | | 6,209.08 |
| Net Profit before taxes | | 4,606.30 | | 5,536.61 |
| Segment Assets | | | | |
| Batteries | | 1,26,729.74 | | 1,20,268.96 |
| Electronics | | 23,965.26 | | - |
| Sub Assembly | | - | | 12,534.28 |
| Parts | | - | | 4,189.27 |
| Motors | | - | | 21,810.70 |
| Unallocated | | 24,844.07 | | 53,486.40 |
| Total Assets | | 1,75,539.07 | | 2,12,289.61 |
| Segment Liabilities | | | | |
| Batteries | | 29,629.05 | | 33,481.83 |
| Electronics | | 14,795.90 | | - |
| Sub Assembly | | - | | 1,759.33 |
| Parts | | - | | 922.62 |
| Motors | | - | | 4,786.53 |
| Unallocated (includes Term Loans, Bank Loans, Hire Purchase Loans) | | 74,936.16 | | 1,16,933.99 |
| Total Liabilities | | 1,19,361.11 | | 1,57,884.30 |
| Segment Capital expenditure during the year | | | | |
| Batteries | | 925.04 | | 1,820.56 |
| Electronics | | 467.28 | | - |
| Sub Assembly | | - | | 931.36 |
| Parts | | - | | 230.78 |
| Motors | | - | | 2,490.42 |
| Unallocated | | 653.35 | | 2,623.20 |
| Total | | 2,045.67 | | 8,096.32 |
| Segment Depreciation(Including Amortisation of Intangible Assets) | | | | |
| Batteries | | 3,106.71 | | 2,887.86 |
| Electronics | | 202.22 | | - |
| Sub Assembly | | - | | 439.01 |
| Parts | | - | | 316.29 |
| Motors | | - | | 1,325.87 |
| Unallocated | | 637.75 | | 1,387.05 |
| Total | | 3,946.68 | | 6,356.08 |

Notes Forming part of consolidated Statement of Profit & Loss

Notes:

- (a) The group's operations include Batteries of different types, Electronics etc. The Consolidated Statement Report is based on the information furnished in the separate financial statements of the group companies. Other items are included in 'Unallocated' segment.
- (b) Inter segment revenue is measured at the market prices at which the products are sold to external Customers

33. Related party Disclosure (As per Accounting Standard (AS)-18)

| | | |
|---|--|---|
| 1 | Holding Company | Beaver Engineering & Holdings Pvt Ltd, Hyderabad |
| 2 | Investors of Subsidiaries | Shakthi Concrete Industries Ltd |
| 3 | Controlled Companies | Kairos Engineering Limied, Hyderabad |
| 4 | Associates Companies / Directors Interested Companies | Naval Systems & Technologies Pvt Ltd Guided Missile Engineering India Pvt Ltd Sankhya Infotech Ltd VARP Power Pvt Ltd |
| 5 | Designated partner of LLP Interested Companies | Secure Power India Pvt Ltd Pushti Products |
| 6 | Key Management Personnel | Dr A J Prasad Chairman & Managing Director M S S Srinath Whole Time Director Kavita Prasad Whole Time Director Ashok Nagarkatti Deepa Shashidhar Kuckian - Designated Partner |

Disclosure of transactions between the Company and Related parties and the status of outstanding balances as on 31st March, 2014

(₹ in Lakhs)

| Sl. No | Name | Nature of Transaction | During the year Debit / (Credit) | As on 31-03-2014 | | |
|--------|---|---|---|------------------|----------------------|-------------------|
| | | | | Investments | Amount Receivable | Amount Payable |
| 1 | Holding Company | Funds Borrowed Corporate Loans received Corporate Loans repaid Interest Paid Sale of Goods Purchase of Goods | 245.00 13,800.00 12,000.00 13.85 231.68 0.24 | | | 14050.20 |
| 2 | Investors of Subsidiaries | Funds Borrowed | | | 193.43 | |
| 3 | Controlled Companies | Investment in Shares Services Received Sale of Goods | 6.52 | 9.00 | 3.37 34.78 | |
| 4 | Associates Companies/ Directors Interested Companies | Investment in Shares Sale of Investments Advance for Sale of Goods Sale of Goods | 0.26 148.35 11.96 | 4.36 | 2.9 | |
| 5 | Designated Partner of LLP Interested Companies | Intangible Assets | | | | 170.00 |
| 6 | Key Management Personnel | Funds Borrowed Funds repaid Sale of Goods Remuneration Rent Interest Paid | 321.00 276.00 1.90 131.75 5.80 37.04 | | | 323.18 171.52 |

Notes Forming part of consolidated Statement of Profit & Loss
Note : 34 Disclosure of leases pursuant to Accounting Standard (AS) 19 "Leases"

(₹ in Lakhs)

| a) HBL Power Systems Ltd | 2013-14 | 2012-13 |
|--|---------|---------|
| Finance Leases | | |
| Amount of Finance Lease | 77.71 | 86.48 |
| Less : Lease amount repaid during the period | 14.52 | 8.77 |
| Amount outstanding at the end of the period | 63.19 | 77.71 |
| Amount payable not Later than one year | 16.37 | 14.51 |
| Amount payable later than one year and not later than five years | 46.82 | 63.20 |

Note : 35 Disclosure as per AS-20 "Earnings per share"; Computation of EPS (Basic & Diluted)

| | 31 March 2014 | 31 March 2013 |
|---------------------------|---------------|---------------|
| Profit for the Year (Rs.) | 3,963 | 2,344 |
| No. of Shares (Basic) | 2,530 | 2,530 |
| No. of Shares (Diluted) | 2,530 | 2,530 |
| EPS (Basic) | 1.57 | 0.93 |
| EPS (Diluted) | 1.57 | 0.93 |

Note : 36 Disclosure as per AS-22 "Accounting for Taxes on Income";

Major components of deferred tax assets and liabilities arising on account of timing differences are:

| | Deferred Tax | Current Year | | Previous Year | |
|---|------------------|--------------|-------------|---------------|-------------|
| | | Assets | Liabilities | Assets | Liabilities |
| 1 | Depreciation | | 2,982.14 | | 4,743.66 |
| 2 | Warranties | 225.64 | | 179.53 | |
| 3 | Leave Encashment | 73.92 | | 53.26 | |
| 4 | Others | 84.73 | | 18.64 | |
| | Total | 384.29 | 2,982.14 | 251.43 | 4,743.66 |

Note : 37 Disclosure under Accounting Standards (AS) 21, 23 and 27
37.1 The CFS comprises the financial statements of the Parent Company (HBL Power Systems Ltd), its subsidiaries, Joint Venture Company and Associate Companies, the details of which are as under:

a) HBL Power Systems Limited, Hyderabad - Parent/Holding Company
b) Subsidiary Companies of HBL Power Systems Ltd

| Name of the Company | Country of Operation | % of interest of Holding Company on 31.03.2014 |
|-----------------------------|----------------------|--|
| (ii) HBL Germany, GmBH | Germany | 100.00 |
| iii) HBL America, Inc | USA | 100.00 |
| (iv) SCIL Infra Con (P) Ltd | India | 100.00 |
| (v) HBL Suntech LLP | India | 60.00 |

c) Joint Venture Company of HBL Power Systems Ltd:

| Name of the Company | Country of Operation | % of interest held by it |
|------------------------------|-------------------------|--------------------------|
| (i) Gulf Battery Company Ltd | Kingdom of Saudi Arabia | 40.00 |

d) Associates of HBL Power Systems Ltd:

| Name of the Company | Country of Operation | % of interest held by it |
|--|----------------------|--------------------------|
| (i) Kairos Engineering Limited | India | 23.00 |
| (ii) Naval Systems & Technologies (P) Ltd. | India | 41.00 |
| (iii) VARP Power (P) Ltd. | India | 26.00 |

During the year the company has invested 26% (₹ 0.26 Lakhs) in the equity of VARP Power (P) Ltd. The company is yet to commence commercial activity. Further the said equity has been disinvested subsequent to the date of the Balance Sheet and received ₹ 0.26 Lakhs. Hence Equity method is not followed for the said investment in the Associate Company.

Notes Forming part of consolidated Statement of Profit & Loss

Note : 37.2

The CFS of the Group have been prepared and presented based on the financial statements as on 31.03.2014, the status of which is as under:

| | |
|---|--|
| a) Holding Company (HBL Power Systems Ltd) | On the basis of Audited Financial Statements on 31.03.2014 |
| c) HBL Germany, GmBH | On the basis of audited financial statements as on 31.03.2014 certified by their Statutory Auditors. |
| d) HBL America.Inc | On the basis of audited financial statements as on 31.03.2014 certified by their Statutory Auditors. |
| e) SCIL Infracon (P) Ltd | On the basis of audited statements on 31.03.2014 certified by their Statutory Auditors. |
| f) HBL Suntech LLP | On the basis of audited statements on 31.03.2014 certified by their Statutory Auditors. |
| g) Gulf Battery Company Ltd. (Kingdom of Saudi Arabia) | The JV follows the Calender Year as their Accounting Year and Audited statements are available upto 31.12.2013. Based on such statements, financial statements as on 31.03.2014 (un-audited) have been prepared by the JV and are considered for inclusion in CFS under proportionate consolidation method. |
| h) Other Associate Companies: Naval Systems & Technologies (P) Ltd Kairos Engineering Ltd. | HBL Power Systems Ltd has invested ₹ 4.10 lakhs (41% share). Following 'equity method', the value of the investment is restated based on the Audited statements as on 31.03.2014. HBL Power Systems Ltd has invested ₹ 9.00 lakhs (23% share). Following 'equity method', the value of the investment is restated based on the Audited statements as on 31.03.2014. |

37.3. Disclosure as per Accounting Standard (AS) 21:

The CFS have been prepared based on separate financial statements as reported in paragraph 33.2 above and substantially following uniform accounting policies. Deviations observed are as under: (Disclosure as per Accounting Standard (AS)-21)

| Parent's Accounting Policy | Subsidiary's Accounting Policy |
|--|--|
| a) Depreciation on Assets is accounted on SLM basis as per Accounting Policy Note 1(c) (a) | a) Depreciation on Assets is accounted on SLM over their expected useful lives.1(C)(c). b) In SCIL Infracon Pvt Ltd, depreciation for the year onTangible and Intangible assets is provided only for the period for which they are put to use. |

The impact of above deviation on CFS is not likely to be material considering value of such assets as at the Balance sheet date in respect of a and b above.

In respect of (b) above, Depreciation on Tangible/Intangible assets is provided only for the "Period In Use " as there was no production activity since October 2012. The unprovided depreciation on Tangible/Intangible assets up to 31.03.2014 was ₹ 138.22 Lakhs. To this extent there is a deviation in following uniform accounting policy on provision for depreciation.

Notes Forming part of consolidated Statement of Profit & Loss

37.4 The effect of disposal of Subsidiary is as under :

- During the year the entire investment of ₹ 11,288.06 Lakhs held by Parent Company in subsidiary (Agile Electric Sub Assembly Pvt Ltd) is disinvested by way of sale for ₹ 17,506.16 Lakhs and resultant Profit of ₹ 6,218.10 Lakhs is accounted for as an exceptional item in Consolidated Statement of Profit and Loss.
- As a result of the said disposal, as at 31.03.2014 as compared to previous year, there is a reduction in the consolidated a carrying amount of liabilities including reserves to the tune of ₹ 44,457.86 Lakhs and reduction in the consolidated carrying amount of assets to the tune of ₹ 55,745.92 lakhs.
- Corresponding figures for the preceding year are not reported as there are no disposal of Subsidiaries in that period.

37.5 Disclosure as required by the General Circular No. 2/2011 dated 8th February, 2011 issued by the Government of India, Ministry of Company Affairs as directions under Section 212(8) of the Companies Act, 1956 relating to Subsidiaries. The particulars on 31.03.2014 are given in the annexed statement.

Note : 38 Disclosure as per AS-29 "Provisions, Contingent Liabilities, Contingent Assets";

Provision for Warranty (HBL Power Systems Ltd) :

(₹ in Lakhs)

| | 31 March 2014 | | 31 March 2013 | |
|---|---------------|--------|---------------|--------|
| Provision at the beginning of the year | | 553.37 | | 505.73 |
| Provision required for the year | 509.92 | | 438.12 | |
| Provision reversed from the opening Balance (after warranty period) | 399.45 | | 390.48 | |
| Charge for the year | | 110.47 | | 47.64 |
| Carrying amount | | 663.84 | | 553.37 |

It is expected that these costs will be incurred in the next 12 to 24 months. Actual expenditure incurred during warranty period towards replacements etc is charged to revenue under respective heads of expenditure.

Note : 39

Reserves and Surplus shown in the CFS include Group's share in the respective reserves of Subsidiaries, Joint Venture and Associates Companies. Reserves attributable to minority share holders is reported as part of Minority Interest in the Consolidated Balance sheet. Retained earnings represents Group's share in General Reserve and Profit and Loss account.

Note : 40

In the WOS HBL Germany GMBH, in Pursuance of the requirement in terms of Article 321 (1) 5.3 HBL Germany, the auditor of the subsidiary concluded that the former Managing Director of the said company is suspected to have violated the Trademarks belonging to HBL (Parent Company) in the reporting year. The subsidiary had filed a case against him and the court had given an interim injunction in favour of the subsidiary.

Note : 41

The previous year figures have been regrouped wherever necessary. Further, in view of the disposal of subsidiary, previous year figures are not comparable.

As per our Report of even date
for M/s Satyanarayana & Co.
 Chartered Accountants
 FRN No. 03680 S

for M/s Rao & Kumar
 Chartered Accountants
 FRN No. 03089 S

On Behalf of the Board

Ch Seshagiri Rao
 Partner
 M.No: 18523

S S Bharadwaj
 Partner
 M.No: 26113

Dr A J Prasad
 Chairman & Managing Director

M S S Srinath
 Director

Place : Hyderabad
 Date : 14th November 2014

Place : Hyderabad
 Date : 14th November 2014

Place : Hyderabad
 Date : 14th November 2014

M V S S Kumar
 Company Secretary

HBL POWER SYSTEMS LIMITED

Annexure to Notes Forming part of Consolidated Balance Sheet and P&L Statement - Note No : 37.5

| Sl. No. | Name of Subsidiary Company | 1 Capital | 2 Reserves | 3 Total Liabilities | 4 (1+2+3) Total | 5 Total Assets (excluding investments) | 6 Details of Investments (Other than in subsidiary) | 7 (5+6) Total | 8 Turnover | 9 PBT | 10 Provision for Tax & Def. Tax | 11 PAT |
|---------|---|--------------|---------------|------------------------|-----------------------|---|--|---------------------|---------------|----------|------------------------------------|-----------|
| 1) | SCIL Infra Con (P) Ltd (Subsidiary Company) | 1,000.00 | (296.62) | 929.97 | 1,633.35 | 1,633.35 | - | 1,633.35 | 325.72 | (53.79) | 37.67 | (91.46) |
| 2) | HBL Germany, GmbH (Subsidiary Company) | 14.92 | (413.12) | 5,723.48 | 5,325.28 | 5,325.28 | - | 5,325.28 | 9,580.84 | (266.35) | 11.85 | (278.20) |
| 3) | HBL Suntech LLP (Subsidiary Company) | 18.30 | (323.08) | 686.38 | 381.60 | 381.60 | - | 381.60 | 1,019.28 | (226.64) | - | (226.64) |
| 4) | HBL America (Subsidiary Company) | 223.99 | (410.69) | 1,166.28 | 979.58 | 979.58 | - | 979.58 | 2,196.07 | 5.87 | | 5.87 |

Notes : (1) Exchange Rates on 31.03.2014

Euros (HBL Germany) Rs. 82.27 / per Euro
USD (HBL America) Rs. 59.85 / per USD



HBL POWER SYSTEMS LIMITED

CIN: L40109TG1986PLC006745

Regd. Office: 8-2-601, Road No.10, Banjara Hills, Hyderabad-500034
Phone No. +91-40-27791641, Fax : +91-40-27795419, e-mail :investor@hbl.in ; contact@hbl.in

Attendance Slip

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING. NO ATTENDANCE SLIP WILL BE ISSUED AT THE MEETING VENUE.

| | |
|----------------------------------|------------------------|
| Name of the attending member(s): | Folio/DP-ID-Client ID: |
| No. of Shares held: | |

I hereby record my presence at the 28th Annual General Meeting of the Company held at KLN Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 at 4.00 p.m. on Saturday, December 27, 2014.

NAME OF THE PROXY IN BLOCK LETTERS

SIGNATURE OF THE SHAREHOLDER/PROXY*

* Strike off whichever is not applicable



HBL POWER SYSTEMS LIMITED

CIN: L40109TG1986PLC006745

Regd. Office: 8-2-601, Road No.10, Banjara Hills, Hyderabad-500034
Phone No. +91-40-27791641, Fax : +91-40-27795419, e-mail :investor@hbl.in ; contact@hbl.in

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | |
|-------------------------|-------------------------|
| Name of the member(s) : | E-mail ID : |
| Residential Address : | Folio/DP-ID-Client ID : |

I/We _____ being a member(s) of above mentioned Company, hereby appoint:

1. Name _____ Address _____
email ID _____ Signature _____ or failing him/her,
2. Name _____ Address _____
email ID _____ Signature _____ or failing him/her,
3. Name _____ Address _____
email ID _____ Signature _____ or failing him/her,

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company to be held on Saturday, December 27, 2014 at 4.00 p.m. at KLN Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | | Subject matter of the Resolution | Optional* | |
|-------------------|--|----------------------------------|-----------|---------|
| ORDINARY BUSINESS | | | FOR | AGAINST |
| 1 | Adoption of Balance Sheet, Statement of Profit and Loss and the Reports of the Board of Directors and Auditors thereon for the financial period ended on 31 st March, 2014. | | | |
| 2 | Declaration of dividend for the year ended 31 st March, 2014 | | | |
| 3 | Appoint a Director in place of Mrs. Kavita Prasad, who retires by rotation and being eligible offers for re-appointment. | | | |
| 4 | Re-appointment of Auditors and fixation of their remuneration. | | | |
| SPECIAL BUSINESS | | | | |
| 5 | Appointment of Mr. J Vidya Shankar as Director nominated by IDBI Bank Limited. | | | |
| 6 | Authorization to Board of Directors to enter into related party transactions. | | | |
| 7 | Authorisation to Board of Director to create mortgage/charges/ hypothecation in favor of lenders up to an amount not exceeding Rs.750 Crores | | | |
| 8 | Appointment of Mr. P Ganapathi Rao as an Independent Director | | | |
| 9 | Appointment of Mrs. Preeti Khandelwal as an Independent Director | | | |

Signed this day of 2014.

Affix Re.1/-
Revenue
Stamp

Signature of the member

Signature of the Proxy Holder(s)

NOTE:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the 28th Annual General Meeting.
- *3. It is optional to put a 'X' in the appropriate column against the Resolution indicated in the Box. If you leave the 'For' and 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he / she think appropriate.
4. Please complete all details including detail of member(s) in above box before submission

BOOK - POST

HBL[®]

HBL Power Systems Limited

CIN: L40109TG1986PLC006745

Sy. No. 26, Kubera Towers, Trimulgherry, Secunderabad - 500034

Phone No. +91-40-27791641, Fax : +91-40-27795419,

E-mail : investor@hbl.in ; contact@hbl.in

FORM B

(Pursuant clause 31(a) of the listing agreement)
Format of covering letter of the annual report to be filed with the Stock exchanges)

| | |
|---|---|
| Name of the Company | HBL Power Systems Limited |
| Annual Financial Statements for the year ended | 31 st March, 2014 |
| Type of Audit qualification | <p><u>Qualified : Standalone Report : Repetitive Observation</u></p> <p><i>Reference is drawn to Note No.30. Some of the year end balances appearing under the heads referred to therein are subject to confirmation / reconciliation and consequential adjustment, the impact of which is not quantifiable by us.</i></p> <p><u>Audit Report on Consolidated Financial Statements : First Time Observations</u></p> <p>1. As per paragraph 26 of AS 21 on Consolidated Financial Statements, the excess and further losses attributable to Minority are to be adjusted against the Majority Interest except to the extent that the Minority has binding obligation and is able to make good the losses. Pending any Contribution from the Minority Partner, we are unable to comment on the treatment accorded (refer note 4.1) in the financial statements.</p> <p>2. Reference is invited to Note No. 37.3, regarding non-provision of depreciation to the tune of ₹.138.22 lakhs in variance to the prescription laid down by the Accounting Standard AS-6 on Depreciation Accounting resulting in overstatement of Profit before tax for the year with a corresponding overstatement of Reserves and Fixed Assets as at 31-3-2014.</p> |
| Frequency of the qualification | Repetitive and first time observations. |
| Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report: | <p>Reference is drawn to Note No.30 : <u>Repetitive Observation</u></p> <p>Management Response: The Company has a practice of sending confirmatory letters every year to all parties. The company has circulated confirmatory letters to various parties during the year. Some of them have not responded in time. Such letter says that the balance is deemed accepted or confirmed if no reply was received in stipulated time.</p> <p><u>First Time Observations</u></p> <p>1. Reference paragraph 26 of AS 21 on Consolidated Financial Statements</p> <p>Management Response: The Company and an individual are designated partners in a Limited Liability Partnership (LLP) Firm. The Minority partner in LLP agreed to contribute 40% towards Capital as per LLP Agreement which is yet to be contributed. Proportionate share of loss in LLP was allocated to the Partner as per LLP Agreement signed by both parties. This is considered as due and recoverable and accordingly shown as minority interest.</p> <p>2. Reference is invited to Note No. 37.3</p> <p>Management Response: The Company's wholly owned subsidiary SCIL Infracon Private Limited (SIPL) operations were affected from October 2012 due to unjustified stoppage of work by workmen. This continued throughout the year 2013-14. A final settlement was reached on 28 March 2014 in the presence of Additional Commissioner of Labour, Hyderabad and Joint Commissioner of Labour, Government of Andhra Pradesh. Depreciation was provided on the basis of actual usage of plant during this period in the</p> |

| | |
|---|--|
| | individual Company's financial statements. However in line with Accounting Standard AS-6 on Depreciation Accounting, for the year 2012-13 and 2013-14, ₹46.85 lacs and ₹91.37 lacs were respectively required to be provided for. Had this been provided for, the individual Company's losses would have been higher to that extent when actually the factory was not in operation during that period. |
| Additional comments from the board / audit committee chair: | NIL |

signed by

Chairman & Managing Director

For HBL Power Systems Limited

A. J. Prasad

Dr. A J Prasad
Chairman & Managing Director



Vice-President (Finance)

For HBL Power Systems Limited

K. Mahidhar

K. Mahidhar
Vice-President (Finance)



Auditor of the company

For Satyanarayana & Co.
Chartered Accountants
Firm's Registration Number 03680S

For Rao & Kumar
Chartered Accountants
Firm's Registration Number 03089S

Ch. Seshagiri Rao

Ch. Seshagiri Rao
Partner
Membership Number 18523

S S Bharadwaj

S S Bharadwaj
Partner
Membership Number 26113

Audit Committee Chairman

For HBL Power Systems Limited

P Ganapathi Rao

P Ganapathi Rao
Chairman (Audit Committee)

